

UAE Transfer Pricing Update

Conditions for maintenance of master file and local file

Summary of Ministerial Decision No. 97 of 2023

Threshold

Taxpayers meeting the following criteria need to maintain a Master File **and** a Local File annually:

- 1) Revenue in a relevant tax period more than or equal to AED 200mn; **or**
- 2) The taxpayer is part of a multinational group which has a consolidated turnover of more than or equal to AED 3.15bn in the relevant tax period

Transactions with Related Parties and Connected Persons to be included in the local file

Inclusions

- 1) Non-Resident Person
- 2) Exempt Person
- 3) A Resident Person electing for Small Business Relief
- 4) A Resident Person whose income is subject to a different Corporate Tax rate from that applicable to the income of the Taxable Person.

Exclusions

- 1) Transaction with Resident Person not specifically included in adjoining column
- 2) A natural person, provided that the parties to the transaction or arrangement are acting as if they were **independent** of each other.
- 3) A juridical person that is considered to be a Related Party or a Connected Person solely by virtue of being a partner in an Unincorporated Partnership, provided that the parties to the transaction or arrangement are acting as if they were **independent** of each other.
- 4) A Permanent Establishment of a Non-Resident Person in the State whose income is subject to the same Corporate Tax rate as that applicable to the income of the Taxable Person.

This Ministerial Decision also specifies that further guidelines on Transfer Pricing Documentation will be issued by the Federal Tax Authority (FTA).

PKF Take



This decision provides much awaited clarity on the threshold for applicability of transfer pricing documentation requirements as well as on transactions to be reported in local file and gives relief to small and medium Taxable Persons having turnover less than AED 200 million from maintaining 'master file' and 'local file'. However, Taxable Persons may still need to maintain reasonable documentation to justify pricing of their transactions with 'related parties' and 'connected persons'.

Taxable Persons having transactions with only Resident Related Parties paying 9% Corporate Tax may not have to maintain local file. Further, the Taxable Persons for whom this Ministerial Decision is applicable, may have to wait for further on Transfer Pricing compliance requirements.

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