

RELATED CORPORATIONS AND NON-ARM'S LENGTH (NAL) TRANSFERS

Related Corporations :

A corporation and

- (i) a **person** who controls the corporation, if it is controlled by one person,
- (ii) a **person** who is a member of a related group that controls the corporation, or
- (iii) any **person** related to a person described in (i) or (ii);

Any two corporations

- (i) if they are controlled by the same person or group of persons,
- (ii) if each of the corporations is controlled by one person and the person who controls one of the corporations is related to the person who controls the other corporation,
- (iii) if one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation,
- (iv) if one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation,
- (v) if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation, or
- (vi) if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation.

Corporations related through a third corporation

Where two corporations are related to the same corporation, they shall be deemed to be related to each other.

What are the implications of being related?

Non-Arm's Length Transfers (s69) rules take effect:

Actual Proceeds	Proceeds to transferor	Cost to transferee
All gifts	FMV	FMV
POD(50)<FMV(100)	FMV \$100	Actual amount \$50
POD(100)>FMV(50)	Actual amount \$100	FMV \$50
POD=FMV	FMV	FMV

Transfer Pricing:

Therefore, when transferring assets to a related party you should either **transfer the assets at fair value** or **gift the assets to avoid double taxation**.