



Transfer Pricing 2026

Type	Questions and Answers
Date	30 Jan 2026
Source	GCC - Middle East Corporate Counsel Advisor
Jurisdiction	United Arab Emirates

Document link: https://www.lexismiddleeast.com/pg/gcc/UnitedArabEmirates_Transfer_Pricing_2025/en

Table of contents

1. What is the main transfer pricing legislation in this jurisdiction?	3
2. Who has primary responsibility for enforcing the transfer pricing rules?	3
3. What OECD considerations have to be taken into account?.....	3
4. What types of transactions do the transfer pricing rules apply to and what methods are acceptable? How is a transfer pricing method selected?	4
5. How do the relevant transfer pricing authorities comply with the arm's-length principle?.....	5
6. Are cost-sharing arrangements allowed? If so, how?	5
7. Can a taxpayer make transfer pricing adjustments?.....	6
8. Are there any 'safe harbour' mechanisms available for specific related-party transactions?.....	6
9. Do taxpayers have to submit transfer pricing documentation? If so, when and, what are the main penalties if they fail to comply with the requirements?.....	7
10. What are the main requirements for the transfer pricing documentation in this jurisdiction? In particular are there any obvious differences with common requirements in other jurisdictions?	8
11. Are there any other requirements, except for submitting transfer pricing documentation which have to be complied with?..	9
12. How long do the authorities have to review a transfer pricing filing?	10
13. Is country-by-country reporting required in this jurisdiction?.....	10
14. What options are available to taxpayers if they dispute the authorities decision on a transfer pricing matter?.....	10
15. Are there any mutual agreement procedures to consider and if so what double taxation relief options are available to taxpayers and when?	10
16. Is there an advance pricing agreement programme available in this jurisdiction and if so in what form? If so, what is the process for obtaining an advance pricing agreement?	11
17. What should an effective advance pricing agreement cover?	12
18. What approach does the Tax Authority take to related party transactions?.....	12
19. What approach does the Tax Authority take to intercompany payments?	12
20. What approach does the Tax Authority take to branches and permanent establishments?	13
21. What are the rules on secondary transfer pricing adjustments?.....	13
22. What categories are considered non-deductible?.....	13
23. Are there any exemptions under the applicable transfer pricing rules?	14
24. Are there any particular merger and acquisition considerations from a transfer pricing context?	14
25. Is there a difference of approach taken to transfer pricing if the entity operates in a free zone or special industrial zone? ..	14
Firm	15
Author	16
Notes	17

1. What is the main transfer pricing legislation in this jurisdiction?

The United Arab Emirates (UAE) transfer pricing framework is embedded within Federal Decree-Law No. 47/2022 On the Taxation of Corporations and Businesses, as amended by Federal Decree-Law No. 60/2023 Amending Some Provisions of Federal Decree-Law No. 47/2022 on the Business and Corporate Taxation and Federal Decree-Law No. 40/2024 Amending Some Provisions of Federal Decree-Law No. 47/2022 on Business and Corporate Taxation, along with supporting regulations and guidance. The following are the key legislative and guidance sources governing transfer pricing in the UAE:

- Federal Decree-Law No. 47/2022, specifically:
 - Article 34 of Federal Decree-Law No. 47/2022: Arm's length principle.
 - Article 35 of Federal Decree-Law No. 47/2022: Related parties and control.
 - Article 36 of Federal Decree-Law No. 47/2022: Payments to connected persons.
 - Article 55 of Federal Decree-Law No. 47/2022: Transfer pricing documentation.
 - Article 59 of Federal Decree-Law No. 47/2022: Clarifications (enabling framework for advanced pricing agreements (APAs)).
 - Article 61 of Federal Decree-Law No. 47/2022: Transitional rules (covering transfer pricing implications during transition, among other aspects).
- Ministerial Decision No. 97/2023 Requirements for Maintaining Transfer Pricing Documentation for the Purposes of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses (master file and local file).
- Cabinet Decision No. 44/2020 On the Regulation of the Reports Submitted by Multinational Companies: Country by country report (CbCR) obligations for multinational enterprises (MNEs) headquartered in the UAE
- UAE Transfer Pricing Guide: Issued in October 2023 by the Federal Tax Authority (FTA), which provides interpretative guidance on the application of UAE transfer pricing laws.
- Tax Returns (Corporate Tax Guide): Issued in November 2024, which explains how to complete and file a transfer pricing disclosure form.
- Cabinet Decision No. 75/2023 On the Administrative Penalties for Violations Related to the Application of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses: Deals with administrative penalties for violations including transfer pricing non-compliance.
- [Federal Tax Authority Decision No. 4/2024](#)^[1 p.17] Amending the Authority's Policy on Issuing Clarifications and Directives and Federal Administrative Decision No. 2/2025 The Authority's Policy on Issuing Clarifications and Directives: Provides the legislative basis for implementing an APA framework.
- UAE Mutual Agreement Procedure (MAP) Guidance: Issued by the UAE Ministry of Finance in June 2025, providing the formal framework for accessing MAP under the UAE's tax treaties.
- Advance Pricing Agreements (APA) (Corporate Tax Guide): Issued by the FTA in December 2025, providing the operational framework for the UAE APA programme.
- [OECD Transfer Pricing Country Profile – United Arab Emirates \(updated in October 2025\)](#)^[2 p.17]: OECD country profile summarising the UAE's domestic transfer pricing legislation and administrative framework, including the arm's length principle, transfer pricing methods, documentation requirements, dispute resolution mechanisms, and alignment with the OECD Transfer Pricing Guidelines (for reference and cross-border context).
- Audit procedure framework: Detailed guidance on transfer pricing audit and assessment procedures is currently awaited.

2. Who has primary responsibility for enforcing the transfer pricing rules?

The FTA is the primary body responsible for the administration, assessment, enforcement, and collection of corporate income tax in the UAE, including compliance with transfer pricing rules. This includes receiving transfer pricing documentation, conducting audits, applying arm's length adjustments, and enforcing penalties in cases of non-compliance.

The Ministry of Finance (MOF) functions as the competent authority for international tax matters and is responsible for issuing implementing regulations and official tax guidance. It also handles bilateral and multilateral tax treaty matters, including exchange of information, MAP, and APA in accordance with the MAP Guidance issued in June 2025 and the APA Guide issued in December 2025.

The UAE Transfer Pricing Guide confirms the FTA's authority to request and assess documentation, apply primary and corresponding adjustments, and initiate transfer pricing reviews. A formal audit framework covering transfer pricing assessments is expected to be released in due course.

3. What OECD considerations have to be taken into account?

In terms of international alignment, the UAE Transfer Pricing Guide takes into consideration the [Organisation for Economic Co-operation and Development \(OECD\) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations \(2022\)](#)^[3 p.17] (OECD Transfer Pricing Guidelines). However, taxable persons are expected to rely primarily on Federal Decree-

Law No. 47/2022, Ministerial Decision No. 97/2023, and the UAE Transfer Pricing Guide as the primary sources of reference. In cases where specific issues are not addressed in UAE sources, taxpayers are encouraged to refer to international standards such as the [OECD Transfer Pricing Guidelines](#)^[3 p.17].

The UAE Transfer Pricing Guide has also drawn upon the following international sources for reference and alignment:

- [OECD Transfer Pricing Guidelines \(2022\)](#)^[3 p.17]
- [OECD/G20 Base Erosion and Profit Shifting Project \(BEPS\) Action 13 Report \(2015\)](#)^[4 p.17] on transfer pricing documentation and CbCR.
- [OECD 2010 Report on Attribution of Profits to Permanent Establishments](#)^[5 p.17]
- [OECD Model Tax Convention on Income and Capital \(2017\)](#)^[6 p.17]
- [OECD Additional Guidance on Attribution of Profits to a Permanent Establishment under BEPS Action 7 \(2018\)](#)^[7 p.17]

Separately, the [OECD Transfer Pricing Country Profile – United Arab Emirates \(updated in 2025\)](#)^[8 p.17] provides a consolidated overview of the UAE's domestic transfer pricing legislation, administrative practices, documentation requirements, and dispute resolution mechanisms, and serves as a reference point for international consistency and cross-border transfer pricing analysis.

4. What types of transactions do the transfer pricing rules apply to and what methods are acceptable? How is a transfer pricing method selected?

Generally, all types of transactions impacting the taxable income are covered, such as sale or purchase of goods, services, financing, intangibles and cost contribution. Transfer pricing rules apply to UAE businesses that have transactions with related parties and connected persons, irrespective of whether the related parties or connected persons are located in the UAE mainland, a free zone or in a foreign jurisdiction.

As per the UAE Transfer Pricing Guide, the transfer pricing provisions apply to all transactions or arrangements between persons who are related parties or connected persons. Exempt entities or entities that have elected for small business relief, as well as standalone entities with no related party transactions, are still subject to the arm's length principle if they enter into controlled transactions, but they are not required to prepare and maintain transfer pricing documentation.

With respect to tax groups, intra-group transactions between members of a corporate income tax group are eliminated in the consolidation of the group's financial results statements, and therefore, are generally outside the scope of transfer pricing compliance, unless any of the conditions prescribed in article 8 of Ministerial Decision No. 301/2024 On Tax Group for the Purposes of Federal Decree-Law No. 47/2022 on the Taxation of Corporations and Businesses are applicable (e.g., has any pre-grouping unutilised interest).

A "controlled transaction" refers to a transaction or arrangement between related parties or connected persons. These generally include the supply or transfer of tangible goods, provision or receipt of services, financing and other financial arrangements, and commercial exploitation of intangible assets such as patents, trademarks, and know-how. Both cross-border and domestic controlled transactions (including those between free zone persons) are within the scope of the UAE transfer pricing rules and must comply with the arm's length principle.

Additionally, the transactions between a qualifying free zone person (QFZP) and its domestic permanent establishment (mainland branch) are also covered by the UAE transfer pricing rules.

Generally, taxpayers are required to apply one or more of the following methodologies to determine the arm's length values for transfer pricing purposes which are based on internationally accepted transfer pricing methods detailed in the [OECD Transfer Pricing Guidelines](#)^[3 p.17] and internalised under article 34(3) of Federal Decree-Law No. 47/2022 as follows:

- The comparable uncontrolled price method.
- The resale price method.
- The cost-plus method.
- The transactional net margin method.
- The transactional profit split method.

The selected method must be the most appropriate one based on the nature of the transaction, availability and reliability of data, and comparability factors. The tested party should generally be the less complex entity with the most reliable data.

Article 34(4) of Federal Decree-Law No. 47/2022 states that the arm's length price may be calculated using methods other than the five transfer pricing methods listed in Federal Decree-Law No. 47/2022, if none of the five recognised methods can be reasonably or reliably applied, and provided these other methods satisfy the arm's length principle.

In alignment with the [OECD Transfer Pricing Guidelines](#)^[3 p.17], appropriate factors must be considered when applying the most appropriate method, namely:

- Contractual terms.
- Characteristics of the transaction.
- Economic circumstances
- Functions, assets, risks and business strategies.

Where none of the five OECD methods can be reliably applied, article 34(4) of Federal Decree-Law No. 47/2022 permits the use of any other method that achieves an arm's length result consistent with the underlying principles. The UAE Transfer Pricing Guide requires consistency in the application of the selected method across tax periods unless a material change in facts or circumstances justifies a change.

5. How do the relevant transfer pricing authorities comply with the arm's-length principle?

The UAE Transfer Pricing Guide reaffirms that the FTA will assess whether a transaction meets the arm's length principle based on the facts and circumstances of each case, supported by robust documentation, benchmarking, and functional analysis.

Where the result of a controlled transaction does not fall within an arm's length range, the FTA may adjust the taxable income to achieve an outcome that best reflects the arm's length result. Corresponding adjustments will also be made to the local counterparty to avoid double taxation, where applicable.

In case of an adjustment by a foreign tax authority, the taxpayer may apply for a corresponding adjustment in the UAE, subject to approval by the FTA. Such applications must be made through a defined process and are intended to avoid double taxation. In cross-border cases, the MAP under an applicable tax treaty may also be pursued. The MAP framework is outlined by the UAE MAP Guidance: issued by the Ministry of Finance in June 2025.

Further, the UAE Transfer Pricing Guide clarifies that the burden of proof lies with the taxpayer to substantiate that transfer prices are in line with the arm's length principle. Taxpayers must maintain adequate supporting documentation (i.e., functional analysis, benchmarking studies, intercompany agreements, meeting minutes, evidence of decisions taken, emails, invoices and workpapers computing the transfer prices, among others). As applicable, this includes filing of the transfer pricing disclosure form (under the Tax Returns (Corporate Tax Guide)), the preparation and maintenance of a local file, master file (under Ministerial Decision No. 97/2023), and country-by-country reporting (under Cabinet Decision No. 44/2020), provided within 30 days upon request.

Importantly, where a downward transfer pricing adjustment (i.e., one that reduces taxable income) is made voluntarily in the tax return, such adjustment must be pre-approved by the FTA. If not approved, the adjustment will be disregarded and reported as nil. This safeguard ensures that such adjustments reflect genuine commercial substance and are not used as a means of reducing tax liability without justification.

In performing transfer pricing assessments, the FTA is expected to evaluate comparability based on both internal and external comparables. The UAE Transfer Pricing Guide emphasises preference for domestic comparables, followed by regional (Middle East) and then global comparables, depending on data availability and reliability. The FTA does not prescribe any particular database but expects documentation of the methodology used.

While the UAE transfer pricing regime is relatively recent and continues to evolve, with a detailed transfer pricing audit framework expected in due course, the FTA is expected to apply arm's length testing in transfer pricing audits and reviews of controlled transactions in line with UAE transfer pricing regulations and international best practices.

6. Are cost-sharing arrangements allowed? If so, how?

The UAE Transfer Pricing Guide provides detailed guidance on the cost-sharing arrangements, drawing upon the principles set out in the [OECD Transfer Pricing Guidelines](#)^[3 p.17].

Cost contribution arrangements (CCAs) are permitted and recognised under the UAE transfer pricing framework. The UAE Transfer Pricing Guide defines a CCA as a contractual arrangement among related parties or connected persons to share costs and risks associated with the joint development, production, or acquisition of assets, or the performance of services, where the participants expect to derive mutual benefit in proportion to their contributions.

CCAs may be classified into two broad categories:

- Development CCAs (e.g., joint development of intangibles or tangible assets, such as intellectual property (IP) or infrastructure).
- Services CCAs (e.g., shared information technology (IT) or administrative services).

Development CCAs often involve higher uncertainty and longer benefit timelines, whereas service CCAs provide more immediate and predictable benefits. Under a development CCA, participants are entitled to exploit the results (such as IP) based on their agreed shares, without requiring further royalty or licence payments, provided their contributions are proportionate to their benefits.

The UAE Transfer Pricing Guide requires the application of the arm's length principle to determine whether each participant's contribution reflects their anticipated benefits. Where misalignment is identified, "balancing payments" between participants may be required to ensure arm's length outcomes. If such balancing payments are not made, the FTA has the authority to adjust the taxable income of participants to reflect the correct allocation of profits under the CCA.

To apply the arm's length principle to a CCA, the following steps must be followed:

- Determine eligible participants based on reasonable expectation of benefit and control over assumed risks.
- Measure the value of each participant's contribution, including services, intangibles, or assets used solely or partly in the CCA activity.
- Ensure that the contribution aligns with the expected share of benefits.
- Adjust for any balancing payments where needed, to address misalignments.

- Comply with written documentation, including terms of entry, withdrawal, buy-in or buy-out payments, and the basis for allocation of costs and benefits.

Participants must have financial capacity to assume risk and control over their own contributions and associated risks. The FTA requires sufficient documentation, contractual clarity, and support for arm's length value of contributions. Failure to meet these requirements may lead to transfer pricing adjustments by the FTA.

7. Can a taxpayer make transfer pricing adjustments?

Transfer pricing adjustments can be initiated by both taxable persons and the UAE FTA in cases where it is believed that a transaction has not been conducted in an arm's length way. Both scenarios are discussed below.

Adjustment by the taxpayer

It is recommended that taxable persons should apply arm's length pricing in the first instance, but by continually monitoring the controlled transactions, taxable persons can make real time adjustments before submitting their tax returns.

After submitting the tax returns, taxable persons may make transfer pricing adjustments where these result in increased taxable profits or reduced allowable losses or make adjustments that result in decreased taxable profits or greater allowable losses.

The UAE Transfer Pricing Guide confirms that transfer pricing adjustments made in the tax return must be adequately supported by documentation and functional analysis. Taxpayers are encouraged to implement transfer pricing adjustments before the books are closed by issuing invoices or accounting entries to align actual outcomes with arm's length results.

Where a transfer pricing adjustment results in a decrease in taxable income (i.e., downward adjustment), such adjustment must be pre-approved by the FTA in line with the UAE Tax Returns (Corporate Tax Guide). If such approval is not obtained, the downward adjustment must be disregarded and reported as nil. This safeguard ensures that downward adjustments reflect genuine commercial substance and are not used as a tax-reduction tool.

Adjustment by the FTA

According to article 34 of Federal Decree-Law No. 47/2022, if the result of the controlled transaction does not fall within the arm's length range, the FTA will adjust the taxable income contained within the tax return to achieve the arm's length result that best reflects the facts and circumstances of the transaction or arrangement.

Where the FTA or a taxable person adjusts the taxable income for a transaction or arrangement to meet the arm's length standard, the FTA will reflect this adjustment in the taxable income of the local related party that is party to the relevant transaction or arrangement.

In cross-border cases, where a foreign tax authority makes a primary transfer pricing adjustment, the UAE taxpayer may apply for a corresponding adjustment in the UAE. Such relief is subject to approval by the FTA and may also be pursued through the MAP under applicable tax treaties. The MAP framework is outlined by the MAP Guidance: issued by the Ministry of Finance in June 2025.

From a compliance standpoint, the transfer pricing disclosure form captures both the transfer price and the arm's length price of each transaction. Where a variance exists, the system flags a transfer pricing adjustment automatically, potentially triggering further scrutiny. Taxpayers must ensure any voluntary transfer pricing adjustment is reflected in both the tax return computation and the transfer pricing disclosure form.

It is also important to segment related party and unrelated party transactions when computing transfer pricing adjustments, particularly when aggregate methods such as the transactional net margin method (TNMM) or resale price method (RPM) are used.

Adjustments must be proportionate and strictly limited to controlled transactions.

The UAE Transfer Pricing Guide is silent on whether the FTA will make an adjustment to a specific point in the arm's length range (interquartile or full range) when results are not within the range, so taxpayers will have to wait to see how the FTA's position develops through their conduct of TP audits.

8. Are there any 'safe harbour' mechanisms available for specific related-party transactions?

To reduce the compliance burden on taxpayers, a simplified approach under chapter 7 of the [OECD Transfer Pricing Guidelines](#)^[3 p.17] is provided, whereby certain low value-adding intra-group services may be charged out at a cost-plus 5% mark-up without the need for a detailed benchmarking analysis. The Transfer Pricing Guide has explicitly adopted the use of this simplified approach in the UAE as an administrative simplification, if the intra-group services provided meet the criteria for low value-adding services.

According to article 7.2.3.5 of the UAE Transfer Pricing Guide, low value-adding services are those that:

- Are of a supportive nature.
- Are not part of the core business of the MNE group.
- Do not require or lead to the creation of unique and valuable intangibles.
- Do not involve the assumption or control of significant risk by the service provider.

Examples of qualifying services may include accounting, human resources (HR), IT support, legal administration, general administration, and other back-office functions. The UAE Transfer Pricing Guide also clarifies that certain services are explicitly excluded from the scope of this simplified approach, such as:

- Core business activities of the MNE group.
- Research and development services.
- Manufacturing or production services.
- Procurement of raw materials for production.
- Sales, marketing and distribution functions.
- Financial transactions.
- Insurance and reinsurance.
- Exploration or extraction of natural resources.
- Corporate senior management services.

The taxable person must also maintain and submit to the FTA (upon request), supporting documents that provide information on the intra-group services rendered, recipients' identity, benefits accrued, methodology and computation of the service charges along with the rationale for the selection of allocation key. This should be incorporated in the transfer pricing documentation for each pertinent tax period.

While the use of a simplified approach reduces the compliance burden, services provided should be carefully analysed to assess whether these can indeed be characterised as low value adding considering the overall business activities of the service provider and service recipients.

As of now, apart from the simplified approach for low value-adding intra-group services, no other safe harbours or fixed mark-up thresholds have been introduced under UAE transfer pricing rules. All other related party transactions must follow standard arm's length benchmarking.

9. Do taxpayers have to submit transfer pricing documentation? If so, when and, what are the main penalties if they fail to comply with the requirements?

Article 55 of Federal Decree-Law No. 47/2022 requires taxable persons transacting with their related parties and connected persons to file alongside the tax return a disclosure form regarding the taxable person's transactions and arrangements with its related parties and connected persons in the form to be prescribed (the filing will need to be done electronically no later than nine months from the end of the relevant tax period).

Taxpayers must also maintain a local file and master file as prescribed by the FTA which must be submitted within 30 days following a request from the FTA. There are no explicit transfer pricing penalties mentioned in Federal Decree-Law No. 47/2022. However, according to Cabinet Decision No. 75/2023, certain administrative penalties applicable to corporate income tax could apply to transfer pricing delays as well (i.e., failure to submit the tax return within the set deadlines, filing an incorrect tax return

or not maintaining the required records or information specified in Federal Decree-Law No. 28/2022 Concerning Tax Procedures and Federal Decree-Law No. 47/2022).

Transfer pricing disclosure form

All taxable persons that engage in transactions with related parties (RPs) or connected persons (CPs) may be required to submit a transfer pricing disclosure form along with their corporate tax return. The transfer pricing disclosure form is mandatory if:

- The total value of all RP transactions exceeds AED 40 million and any single category-wise transaction exceeds AED 4 million (as per financial statements or market value).
- The total value of CP transactions (including those with the CP and its related parties) exceeds AED 500 000, with disclosure on a per-CP basis.

The transfer pricing disclosure form includes two key schedule namely the related party schedule and the connected person schedule, which captures transaction-level disclosures once the applicable thresholds are breached. Dividends between RPs are excluded from threshold computation and need not be disclosed in the transfer pricing disclosure form. Arm's length principle compliance under article 34 of Federal Decree-Law No. 47/2022 is mandatory for all covered transactions regardless of whether the transfer pricing disclosure form is triggered.

The transfer pricing disclosure form must be filed electronically within nine months from the end of the tax period. Failure or delay in filing of the transfer pricing disclosure form can cost AED 500 per month initially, escalating to AED 1,000 per month beyond 12 months.

Local file and master file

Taxpayers must maintain a local file and master file if they meet either of the following thresholds under Ministerial Decision No. 97/2023:

- They are part of an MNE group with consolidated revenue of AED 3.15 billion or more.

- Their own standalone UAE revenue is AED 200 million or more.

The master file offers a group-level overview (structure, intangibles, financing, and transfer pricing policies), while the local file provides entity-level analysis of the UAE taxpayer's intercompany transactions.

If the taxpayer belongs to a UAE-headquartered group with no foreign operations, only the local file is required. Documentation must be submitted within 30 days from the FTA's request (or as extended by the FTA). Penalty for non-submission is AED 5,000.

Country-by-country report (CbCR)

CbCR applies only to UAE-headquartered MNE groups where the ultimate parent entity (UPE) is in the UAE and the consolidated group revenue exceeds AED 3.15 billion in the previous financial year.

The CbCR notification must be filed before the end of the financial year, and the report must be submitted within 12 months from the end of the financial year, both via the online portal. Surrogate parent entity (SPE) filing is not permitted, and secondary filing is not required under UAE rules.

Penalties include:

- Up to AED 1 million, plus AED 10,000 per day of delay (max AED 250 000) for failure to file CbCR or CbCR notifications in time.
- AED 50 000 to AED 500 000 for inaccurate information.
- AED 100 000 for recordkeeping failures.
- AED 100 000 for failure to respond to information requests.

Supporting transfer pricing documentation

All taxpayers engaged in controlled transactions must still maintain supporting documentation to demonstrate arm's length compliance. This includes:

- Description of RPs or CPs and chosen transfer pricing methods.
- Functional analysis.
- Benchmarking studies.
- Intercompany agreements.
- Invoices, emails, meeting minutes and pricing workpapers.
- Allocation rationale and public or commercial databases.

This documentation must also be submitted within 30 days from FTA request, and penalties for failure to maintain include:

- AED 10 000 per violation.
- AED 20 000 for repeat violations within 24 months.

10. What are the main requirements for the transfer pricing documentation in this jurisdiction? In particular are there any obvious differences with common requirements in other jurisdictions?

Taxable persons are required to maintain contemporaneous transfer pricing documentation of their controlled transactions to demonstrate compliance with transfer pricing regulations and maintain the integrity of their corporate income tax positions.

The FTA expects that documentation is maintained either at the time of the controlled transaction or, by the time the taxable person submits its tax return for the tax period in which the controlled transaction is undertaken.

The relevant UAE legislation has outlined the below transfer pricing documentation requirements for certain taxable persons that are required to be prepared for each tax period:

- Transfer pricing disclosure form which covers details of the controlled transactions during a tax period.
- Master file which provides a high-level overview of the group's business and the allocation of income and economic activity within a group. It only applies to large businesses as set out in Ministerial Decision No. 97/2023.
- Local file which provides detailed information on operations of the local entity and analysis and testing of the outcomes of the controlled transactions against the arm's length principle. It only applies to large businesses as set out in Ministerial Decision No. 97/2023.
- Country-by-Country Report (CbCR) which provides jurisdictional quantitative information about a MNE group (above AED 3.15 billion) as well as an overview of the different activities conducted by affiliates of a MNE group, as set out in Cabinet Decision No. 44/2020.

Under Ministerial Decision No. 97/2023, the following aspects regarding transfer pricing documentation requirements have been clarified:

- *Conditions and thresholds for maintaining a master file and local file:*

A taxable person that meets either of the following two conditions will maintain both a master file and a local file in the relevant tax period (if the taxpayer is part of a UAE-headquartered group with no foreign operations, only the local file needs to be maintained):

- Where the taxable person, for any time during the relevant tax period, is a constituent company of a MNE group as defined in Cabinet Decision No. 44/2020 referred to above, that has a total consolidated group revenue of AED 3.15 billion or more in the relevant tax period.
- Where the taxable person's revenue in the relevant tax period is AED 200 million or more.

- *Transactions or arrangements to be specifically included in the local file:*

A taxable person will include transactions or arrangements with all of the following related parties and connected persons in the local file:

- A non-resident person.
- An exempt person.
- A resident person that has elected to be treated as a small business.
- A resident person whose income is subject to a different corporate income tax rate from that applicable to the income of the taxable person.

- *Transactions or arrangements that will not be included in the local file:*

A taxable person will not include transactions or arrangements with the following related parties and connected persons in the local file:

- Transactions or arrangements with a resident person.
- Transactions or arrangements with a natural person.
- Transactions or arrangements with 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.
- Transactions or arrangements with a permanent establishment of a non-resident person in the state whose income is subject to the same corporate income tax rate as that applicable to the income of the taxable person.

Key specific differences in the UAE compared to other jurisdictions

Irrespective of whether thresholds for the transfer pricing disclosure form, local file, master file, or CbCR are triggered, all taxpayers engaged in controlled transactions must maintain supporting documentation to substantiate that such transactions meet the arm's length principle. This applies to both domestic and cross-border transactions, even if they are tax-neutral.

Unlike several other jurisdictions that may exclude tax-neutral domestic transactions from documentation or arm's length principle testing, the UAE requires arm's length principle testing for all controlled transactions under article 34 of Federal Decree-Law No. 47/2022. The exclusion of tax neutral transactions from local file documentation, under article 55 of Federal Decree-Law No. 47/2022, is only from a documentation perspective not from the substantive arm's length principle compliance standpoint.

The UAE's local file and master file thresholds are revenue-based (AED 200 million or AED 3.15 billion), unlike many other countries where documentation requirements are triggered based on the value of related party transactions.

Unlike some jurisdictions, the UAE does not mandate automatic filing of the local file or master file but requires readiness and submission on request.

Failure to maintain or submit the documentation may not only result in administrative penalties, in the case of free zone entities, loss of 0% QFZP status.

The transfer pricing disclosure form is part of the self-declared corporate tax return and does not require separate submission, attestation, or audit certification, this contrasts with many jurisdictions where transfer pricing forms are standalone filings or require formal sign-off.

For CbCR, there is no requirement for filing CbCR notifications or reports in the UAE for entities that are not UAE-headquartered. Only ultimate parent entities (UPEs) that are tax resident in the UAE are required to notify and file the CbCR, in contrast to other jurisdictions where even local subsidiaries or surrogate parent entities may be subject to secondary or backup reporting requirements including CbCR notifications.

11. Are there any other requirements, except for submitting transfer pricing documentation which have to be complied with?

In addition to the statutory transfer pricing requirements, taxpayers are encouraged to maintain and provide to the FTA when requested any additional documentation which supports the arm's length basis of the transaction. Under article 55(4) of Federal Decree- Law No. 47/2022, the FTA may request certain information from taxable persons even where they are not required to maintain a local file and master file. Examples of the information that the FTA may request include:

- Information regarding transactions with related parties and connected persons.

- Any information to support the arm's length nature of the transaction.
- Any other information that the FTA deems necessary to assess the arm's length nature of the transaction.
- Information used for application of the chosen method. This additional documentation may include (but is not limited to) documentation supporting arm's length analysis of the controlled transaction (i.e., functional analysis, benchmarking studies, intercompany agreements, meeting minutes, evidence of decisions taken, emails, invoices and workpapers computing the transfer prices, among others).

This supporting documentation must be made available within 30 days from the date of request by the FTA (or by a later date as specified).

12. How long do the authorities have to review a transfer pricing filing?

Guidance on transfer pricing specific assessment and audits is awaited.

In the absence of specific transfer pricing audit procedures, taxpayers are advised to maintain contemporaneous documentation and be prepared to submit all relevant records within 30 days of request to support their arm's length positions.

Further, records and documents should be kept for seven years following the end of the relevant tax period.

13. Is country-by-country reporting required in this jurisdiction?

Yes. The UAE legislation governing CbCR is covered by Cabinet Decision No. 44/2020, which is broadly aligned with OECD model legislation, for reporting years beginning on or after 1 January 2019. Only ultimate parent entities of the MNE group whose tax residence is located in the UAE will file the notification and file the CbCR in the UAE.

The UAE resident entities of multinational groups headquartered outside the UAE will not be required to submit the CbCR or a notification in the UAE.

14. What options are available to taxpayers if they dispute the authorities decision on a transfer pricing matter?

Under article 59 of Federal Decree-Law No. 47/2022, a person can make an application to the FTA for a clarification regarding any part of the Federal Decree-Law No. 47/2022 or for concluding an advance pricing agreement for a transaction or arrangement. These mechanisms primarily operate as dispute prevention tools, allowing taxpayers to obtain certainty on the tax or transfer pricing treatment of transactions before or during a tax period. The procedural framework for APAs has been issued through the FTA's Advance Pricing Agreements (Corporate Tax Guide) released in December 2025.

In addition, the FTA has issued guidance on Private Clarifications, through its [Private Clarifications – Tax Procedures Guide](#)^{[9] p.17} released in November 2024, which sets out the process by which taxpayers may seek clarification on the interpretation or application of UAE tax legislation to specific factual scenarios. While not transfer pricing specific, Private Clarifications may be used proactively to obtain clarity on transfer pricing positions and therefore function as a further dispute prevention mechanism.

Also, guidance on the transfer pricing specific assessment or audits is awaited wherein the FTA may provide guidelines for options available to taxpayers if they dispute the authority's decision on transfer pricing matters.

There is a litigation framework in place for value added tax (VAT) which most likely will be followed for transfer pricing disputes as well.

Under UAE tax laws, a taxpayer may request the FTA to reconsider a decision within 40 days of notification. The FTA must respond within another 40 days and notify the applicant within five days.

If unsatisfied, the taxpayer can object to the relevant Tax Dispute Resolution Committee (TDRC), provided the reconsideration process is complete and all disputed taxes are paid (penalties can be unpaid). The TDRC must issue a decision within 20 days, extendable by another 20 days, and communicate it within five days. Lack of response within this period is treated as a deemed rejection.

TDRC decisions are final and enforceable if the dispute is below AED 100 000. For larger disputes, appeals can be made to the Federal Primary Court, and further to the Appeals Court and Supreme Court. At the court stage, 50% of penalties must be paid. Execution orders can be challenged through substantive or procedural grounds.

In cross-border transfer pricing disputes resulting in double taxation, taxpayers may seek relief through the MAP under the applicable tax treaty. The MAP process and eligibility conditions are set out in the UAE MAP Guidance issued by the Ministry of Finance in June 2025, which operates as a post-assessment, treaty-based dispute resolution mechanism between competent authorities.

15. Are there any mutual agreement procedures to consider and if so what double taxation relief options are available to taxpayers and when?

Yes. MAPs are available to taxpayers under the UAE's applicable double taxation avoidance agreements (DTAAs) to resolve cases of double taxation arising from transfer pricing adjustments and other treaty-related disputes.

Under article 34 of Federal Decree-Law No. 47/2022, where the result of a controlled transaction does not fall within the arm's length range, the FTA may adjust the taxable income to achieve an arm's length outcome that best reflects the facts and circumstances of the transaction or arrangement.

Where such an adjustment is made, the FTA may also make a corresponding adjustment to the taxable income of the local related party involved in the transaction, where applicable, in order to prevent double taxation within the UAE.

In cross-border situations, where a foreign tax authority makes a primary transfer pricing adjustment that results in taxation not in accordance with the relevant tax treaty, the UAE taxpayer may seek relief through a corresponding adjustment in the UAE. Where treaty relief is required, such relief may be pursued through the MAP under the applicable tax treaty.

The MAP framework applicable in the UAE is set out in the UAE MAP Guidance, issued by the Ministry of Finance in June 2025. MAP is a treaty-based dispute resolution mechanism handled by the UAE competent authority and is intended to eliminate double taxation arising from actions of one or both contracting states. In a transfer pricing context, MAP typically covers disputes relating to primary and corresponding adjustments, profit attribution, and other cross-border allocation issues that result in double economic taxation.

A MAP request may generally be submitted within the time limits prescribed under the relevant tax treaty, typically within three years from the first notification of the action resulting in taxation not in accordance with the treaty. Access to MAP does not, in principle, preclude the use of domestic remedies, although coordination between MAP and domestic appeal processes may be required depending on the facts and procedural posture of the case.

The UAE has an extensive treaty network, having entered into double taxation avoidance agreements with more than 140 jurisdictions, thereby providing broad access to MAP-based relief for cross-border transfer pricing disputes.

16. Is there an advance pricing agreement programme available in this jurisdiction and if so in what form? If so, what is the process for obtaining an advance pricing agreement?

Yes. The UAE has introduced an APA programme under article 59 of Federal Decree-Law No. 47/2022, enabling taxpayers to proactively agree transfer pricing outcomes with the FTA for controlled transactions.

An APA is an agreement between a taxable person and the FTA that sets out the criteria for determining the arm's length pricing of specified controlled transactions for a fixed number of future tax periods. Under the UAE framework, APAs are intended primarily as a dispute prevention mechanism, providing upfront clarity and predictability on transfer pricing positions before audit scrutiny crystallises.

Form of APA available

Under the initial rollout of the UAE APA programme:

- Unilateral APAs (UAPAs) are available as the first phase of implementation. These are agreements between the taxable person and the FTA and provide certainty from a UAE corporate tax perspective only. They are binding on both the taxable person and the FTA, but not on foreign tax authorities.
- Bilateral or multilateral APAs (BAPAs / MAPAs), which involve coordination with one or more foreign tax authorities are expected to be introduced in a later phase, subject to further guidance. These are intended to provide full mitigation of cross-border double taxation.

Unilateral APA applications for domestic controlled transactions are expected to be accepted from December 2025, with cross-border APAs anticipated in subsequent phases.

Eligibility and materiality threshold

An APA application is generally expected to cover material-controlled transactions, with a prescribed materiality threshold of AED 100 million per tax period, calculated based on the aggregate arm's length value of the transactions proposed to be covered. Transactions falling within transfer pricing safe harbour rules are excluded from this computation. Notwithstanding the threshold, the FTA retains discretion to accept or reject an APA application based on the facts, complexity, and risk profile of the case.

APA period

APAs are prospective in nature and may generally cover a minimum of three and a maximum of five future tax periods. Rollback to prior tax periods is not currently incorporated under the UAE framework.

APA process

The UAE APA programme follows a structured, four-stage process broadly aligned with international best practices:

- Pre-filing consultation: The taxable person engages with the FTA in a pre-filing consultation to discuss the proposed transactions and assess the suitability of the case for an APA before making a formal application.
- Formal application: Following a successful pre-filing consultation, a formal APA application must be submitted within the prescribed timelines. The application must include detailed information on the controlled transactions, functional and economic analysis, proposed transfer pricing methodology, benchmarking support, critical assumptions, and relevant documentation. Applications must be submitted in English or Arabic and may be filed only by the taxable person or a registered tax agent.
- Evaluation and negotiation: The FTA reviews the application, performs its own technical and economic analysis, and engages with the taxpayer to agree the arm's length pricing methodology, financial indicators, and critical assumptions.
- Conclusion and implementation: Once agreed, the APA becomes binding on the taxable person and the FTA for the covered period, subject to compliance with its terms and conditions.

Timelines, fees, and ongoing obligations

- The formal APA application must generally be submitted within two months from the conclusion of the pre-filing consultation, or at least 12 months before the start of the first tax period to be covered, whichever is earlier.
- The applicant must respond to FTA information requests within 40 business days, unless extended.
- A non-refundable application fee applies (AED 30 000 for a new APA and AED 15 000 for renewal).
- Taxpayers are required to file annual compliance declarations, monitor and report any breach or change in critical assumptions within 20 business days, and consistently apply the agreed transfer pricing methodology. Non-compliance may result in revision, cancellation, or revocation of the APA.

Overall, the UAE APA programme represents a significant step in the maturation of the UAE's transfer pricing regime, offering taxpayers a formal mechanism to secure upfront clarity on complex or high-value controlled transactions and to reduce future audit and dispute exposure.

17. What should an effective advance pricing agreement cover?

The form and manner of the APA application is prescribed by the FTA and is detailed in appendix 3 of the APA Guide issued in December 2025. The application requires comprehensive information to enable the FTA to evaluate the proposed APA, including, *inter alia*:

- Details of the applicant and relevant group entities.
- Description of the business, industry, and organisational and operational structure.
- Identification of the controlled transactions proposed to be covered and their materiality.
- Functional, asset and risk (FAR) analysis of the parties involved.
- Proposed transfer pricing method, pricing mechanism, and financial indicators.
- Benchmarking and economic analyses supporting the proposed arm's length outcomes.
- Financial information, projections, and assumptions relevant to the covered period.
- Disclosure of prior audits, disputes, rulings, APAs, or MAP cases relevant to the transactions.

Separately, an effective APA, once concluded, would typically cover the following substantive elements, consistent with the the [OECD Transfer Pricing Guidelines](#)^[3 p.17] and international best practices:

- Scope of the APA, including the covered entities, transactions, and the agreed APA term.
- Agreed transfer pricing methodology, including pricing mechanism, profit level indicators, tested party, and benchmarking approach.
- Critical assumptions, agreement setting out the key legal, operational, economic, and financial conditions underpinning the APA.
- Implementation and compliance framework, including consistency requirements, recordkeeping, and annual compliance reporting.
- Monitoring, revision, and termination provisions, including consequences of breach of critical assumptions, non-compliance, or material changes in facts and circumstances.
- Renewal or cancellation provisions, where applicable.

An effective APA should be firmly grounded in the arm's length principle, reflect commercial reality, and provide a clear, administrable framework that reduces uncertainty and prevents future transfer pricing disputes for the covered transactions.

18. What approach does the Tax Authority take to related party transactions?

Federal Decree-Law No. 47/2022 is applicable to taxable persons for financial years commencing on or after 1 June 2023.

However, the UAE Transfer Pricing Guide highlights the taxpayer's burden of proof to maintain sufficient supporting documentation as well as to make timely submissions to the FTA in order to support the position taken in the tax return as it relates to the controlled transactions that are in scope for each tax period. Therefore, robust transfer pricing documentation is an important first line of defence to help support taxpayers' positions during the transfer pricing assessments or audits.

The UAE Transfer Pricing Guide further clarifies that the FTA expects the use of consistent, defendable transfer pricing methods, application of the arm's length principle under article 34 of Federal Decree-Law No. 47/2022, and substantiation of economic substance where relevant. The FTA may also initiate specific information requests or audits under article 55 of Federal Decree-Law No. 47/2022, even in cases where local file or master file thresholds are not met.

19. What approach does the Tax Authority take to intercompany payments?

Federal Decree-Law No. 47/2022 is applicable to taxable persons for financial years commencing on or after 1 June 2023.

However, the UAE Transfer Pricing Guide highlights the taxpayer's burden of proof to maintain sufficient supporting documentation as well as to make timely submissions to the FTA in order to support the position taken in the tax return as it relates to the controlled transactions that are in scope for each tax period. Therefore, robust transfer pricing documentation is an important first line of defence to help support taxpayers' positions during the transfer pricing assessments or audits.

The UAE Transfer Pricing Guide emphasises that intercompany payments such as royalties, management fees, interest, cost allocations, and intra-group service charges must be priced at arm's length and must be supported by appropriate functional analysis and benchmarking. Where low value-adding services are involved, a simplified 5% mark-up may be applied subject to meeting prescribed criteria.

Payments must also align with the economic substance and actual conduct of parties, as the FTA may disregard the contractual form if it does not reflect the underlying reality. Furthermore, even tax neutral or exempt transactions are subject to arm's length testing under article 34 of Federal Decree-Law No. 47/2022.

20. What approach does the Tax Authority take to branches and permanent establishments?

The definition of a permanent establishment under Federal Decree-Law No. 47/2022 is aligned with the definition in the [OECD Model Tax Convention on Income and Capital \(2017\)](#)^[6 p.17]. The guidance on permanent establishments is provided in the OECD's commentary on the [OECD Model Tax Convention on Income and Capital \(2017\)](#)^[6 p.17] and can therefore be used as a reference when assessing whether a permanent establishment is created in the UAE.

In terms of Federal Decree-Law No. 47/2022, a non-resident person would generally be considered to have a permanent establishment in the UAE where it has a fixed or permanent place in the UAE through which the business of the non-resident person, or any part thereof, is conducted or where a person has and habitually exercises an authority to conduct a business or business activity in the state on behalf of the non-resident person.

A fixed or permanent place in the UAE will not be considered a permanent establishment if it is used solely for conducting activities of a preparatory or auxiliary nature and the Minister may prescribe conditions in this regard in terms of which the mere presence of a natural person in the UAE will not create a permanent establishment for a non-resident. However, this will not be the case if the same non-resident person or its related party (as defined) carries on a business or business activity at the same or another place in the UAE (subject to certain conditions). Federal Decree-Law No. 47/2022 does not make reference to services of a permanent establishment, but more clarity on how this aspect will be interpreted may be provided, addressing what "any other form of nexus" will encompass. Additionally, the Non-Resident Persons Corporate Tax Guide clarifies that a juridical non-resident may also have a "nexus" for tax purposes in the UAE by earning income from immovable property located within the UAE. A nexus, though less formal than a permanent establishment, can still trigger corporate tax filing obligations and attract transfer pricing scrutiny.

Non-residents will have to consider the impact of the permanent establishment provisions to their activities in the UAE. Where a permanent establishment is created in the UAE, careful consideration must be given to aspects such as legal registration (e.g. a branch), obtaining appropriate licences, and Federal Decree-Law No. 47/2022 registration obligations.

Under article 24(4) of Federal Decree-Law No. 47/2022, when determining the income and associated expenditure of a permanent establishment, a resident person and each of its permanent establishments should be treated as separate and independent entities. Therefore, transactions between related parties or connected persons where one of the parties is a permanent establishment would need to be conducted in line with the arm's length principle. The "separate entity approach" specified in the UAE Transfer Pricing Guide is in line with the approach specified in the [OECD Transfer Pricing Guidelines](#)^[3 p.17].

The Transfer Pricing Guide outlines a two-step process for attributing profits to a permanent establishment under the separate entity approach as follows:

- Step one: Conduct a functional analysis to determine the functions performed, assets used, and risks assumed by the permanent establishment, including the attribution of economic ownership of assets and allocation of capital based on significant people functions and risks.
- Step two: Determine arm's length compensation for dealings between the permanent establishment and other parts of the enterprise by selecting the appropriate transfer pricing method and assessing comparability to uncontrolled transactions.

The UAE Transfer Pricing Guide also references the [OECD 2010 Report on Attribution of Profits to Permanent Establishments](#)^[5 p.17] and the [OECD Additional Guidance on Attribution of Profits to a Permanent Establishment under BEPS Action 7 \(2018\)](#)^[7 p.17]. Taxpayers are also encouraged to refer to guidance where relevant.

21. What are the rules on secondary transfer pricing adjustments?

There are no separate rules on secondary transfer pricing adjustments relating to international transactions.

22. What categories are considered non-deductible?

Interest limitation rule

Net interest expense (i.e., interest expenses incurred less interest income) should be deductible up to 30% of a business' earnings before interest, taxes, depreciation, and amortisation (EBITDA) (adjusted by excluding exempt income). There is a safe harbour or de-minimis threshold of AED 12 million which can be deducted irrespective of the 30% EBITDA rule.

The net interest expense amount disallowed for deduction under the interest capping rules may be carried forward and deducted in the subsequent 10 tax periods. For completeness, the interest capping rules will not apply to banks, insurance businesses, certain other regulated financial service entities, business carried on by natural persons or individuals, or any other person that may be determined by a cabinet decision.

Other non-deductible interest

No interest deduction will be allowed for loans obtained (directly or indirectly) from a related party for the following transactions, with the related parties and loan not attracted to gain a UAE corporate tax advantage (i.e., the lender is subject to corporate tax in the UAE or a tax of a similar character under applicable legislation of foreign jurisdiction at a rate not less than 9%):

- Dividends or profit distribution.
- Redemption, repurchase, reduction or return of share capital.
- Capital contribution.
- Acquisition of ownership interest in a legal entity, who is or becomes a related party following acquisition.

In the case where a taxable person is an unincorporated partnership, other partners and their related parties are also considered connected persons. Provisions of article 34 of Federal Decree-Law No. 47/2022 are invoked to determine market value. To ease compliance, article 34(6) of Federal Decree-Law No. 47/2022 excludes taxable persons with shares traded on a recognised stock exchange or under regulatory oversight in the UAE.

From a transfer pricing standpoint, interest expenses must be benchmarked using accepted methods (e.g., comparable uncontrolled prices) supported by credit ratings, loan agreements, risk analysis, and third-party comparable data.

23. Are there any exemptions under the applicable transfer pricing rules?

A person that is exempt under Federal Decree-Law No. 47/2022 (e.g., government entities, government controlled entities, persons engaged in an extractive business, persons engaged in a non-extractive natural resource business, qualifying public benefit entities, qualifying investment funds, public pension or social security funds, private pension or social security funds that are subject to regulatory oversight of the competent authority in the UAE and that meet any other conditions that may be prescribed by the Ministry of Finance, entities incorporated in the UAE that are wholly owned and controlled by certain exempt entities subject to certain conditions and any other person as may be determined in a cabinet decision) would not be considered as a taxable person and therefore transfer pricing provisions under Federal Decree-Law No. 47/2022 would not be applicable.

Federal Decree-Law No. 47/2022 also provides tax relief for small businesses. A tax resident person may elect to be treated as not having derived any taxable income where the revenue for the relevant and previous tax periods do not exceed a threshold and meet certain conditions. If a tax resident person applies for small business relief, certain provisions of Federal Decree-Law No. 47/2022 will not apply such as exempt income, reliefs, deductions, tax loss relief, transfer pricing compliance requirements, as specified in the relevant chapters of Federal Decree-Law No. 47/2022.

24. Are there any particular merger and acquisition considerations from a transfer pricing context?

The UAE transfer pricing laws and guidance provides specific guidance on business restructurings (including mergers and acquisitions) and it is expected that in these transactions apart from the legal ownership, the associated functions and risks should also be aligned. The expectation is that all the relevant inter-company transactions should be undertaken on an arm's length basis.

Transfer pricing bylaws provide that the local file should contain detailed information on all controlled transactions of the taxable person and should also contain information in respect of any business restructurings (transfers of risks, functions, tangible or intangible assets impacting directly or indirectly the taxpayer in the UAE) in the current year or in the preceding year.

In line with the OECD Transfer Pricing Guidelines, the UAE Transfer Pricing Guide also expects that such restructurings be accompanied by a robust functional analysis covering pre- and post-restructuring scenarios to evaluate whether compensation is warranted under the arm's length principle. Taxpayers should assess whether the restructuring involves a transfer of something of value such as profit potential, customer relationships, or intangibles that warrants exit charge or compensation to the restructured entity. In cases where transfer of IP or customer base is involved, benchmarking of royalty or transfer charges, cost allocation, and post-restructuring profit split should be properly documented and included in the local file. Where restructuring results in a change in characterisation (e.g., from full-risk to limited-risk), transfer pricing policies and comparables must be updated accordingly to reflect revised functional profile.

25. Is there a difference of approach taken to transfer pricing if the entity operates in a free zone or special industrial zone?

Under Federal Decree-Law No. 47/2022, companies and branches registered in a free zone are considered taxable persons and are required to meet normal compliance obligations, including transfer pricing requirements. However, provided a free zone entity meets the conditions to be considered a qualifying free zone person (QFZP), it should be eligible for a 0% UAE corporate income tax rate on its qualifying income. The income of a QFZP which is not qualifying income will be taxed at the standard 9% corporate tax rate. In order to qualify for the 0% corporate income tax rate, a QFZP must meet all of the following conditions:

It must be a free zone person (i.e., a juridical person incorporated, established or otherwise registered in a free zone, including branches).

- Maintain adequate substance in the UAE.
- Derive qualifying income.
- Not have made an election to be subject to the standard UAE corporate income tax regime.
- Comply with all transfer pricing rules and documentation requirements (including domestic transactions).
- Meet any other conditions as prescribed by the Ministry of Finance.

If a QFZP fails to meet any of these conditions at any time during a tax period, it will no longer be considered a QFZP and will be subject to the standard UAE corporate income tax regime from the beginning of that tax period.

The transactions between the free zone entities and the related parties in the mainland or cross border must be undertaken on an arm's length basis in order to ensure fair pricing of the transactions and therefore the fair allocation of the profits between the entities.

Importantly, the UAE Transfer Pricing Guide emphasises that compliance with article 34 of Federal Decree-Law No. 47/2022 (arm's length principle) is mandatory for all controlled transactions whether taxed at 0% or 9%, and whether cross-border or domestic. Even tax-neutral transactions must meet the arm's length principle standard and be substantiated accordingly.

Free zone entities are required to maintain full transfer pricing documentation including the transfer pricing disclosure form, local file, and master file if they meet the thresholds prescribed under Ministerial Decision No. 97/2023. These requirements mirror those applicable to mainland entities but a key implication for free zones is that any failure to comply can attract penalties and may result in the loss of QFZP status.

The FTA may closely scrutinise substance and transfer pricing positions for free zone entities availing the 0% rate, particularly where profit levels appear excessive or inconsistent with industry norms. This makes it critical to ensure that robust transfer pricing documentation and economic substance analysis are in place to support such positions.

Firm



Global Transfer Pricing Network (UAE) <https://www.globaltpn.com/>

Author



Praneeth Narahari

Global Transfer Pricing and Structuring Advisory Leader, GTPN

Email: praneeth@globaltpn.com^[10 p.17]

Tel: +91 94919 33365

Areas of expertise

- TP Policy Design & Business Model Optimisation
- Cross-Border Structuring & Tax Advisory, ETR Optimisation, WHT Advisory
- Value Chain Analysis & Operating Model Reviews
- Funding and Repatriation Strategies and Tax Planning
- TP Modelling, Benchmarking & Royalty Structuring and Valuations
- PE Risk Review & Attribution Analysis
- POEM Risk Advisory
- Thin Cap/Interest deduction limitation Evaluation, Debt vs Equity Funding Advisory
- Pillar Two, Global TP Documentation & Compliance Management
- TP Risk Assessment and Due Diligence
- Audit Defense, TP Dispute Resolution & Litigation Strategy

Education

- FCA, CMA, CFA, FMVA®, Commerce Graduate

Biography

Praneeth is a globally experienced Transfer Pricing professional with 12+ years of hands-on expertise in structuring, documentation, litigation, and cross-border tax advisory.

He has led large TP teams in APAC and the Middle East and currently leads a 20+ member TP Center of Excellence team delivering tailored TP solutions across the business lifecycle.

He has advised clients in over 30 countries and delivered 500+ assignments for multinational groups, mid-market enterprises, and advisory firms.

Known for his pragmatic, solutions-focused approach rooted in Big 4 experience, Praneeth combines technical depth with strategic clarity.

Credentials

- FCA, CMA, CFA, FMVA®, Commerce Graduate
- All-India Rank Holder – CMA Inter & Final
- Author with Bloomberg, Lexis Middle East, Tax Notes, Taxsutra, Taxmann, ICAI
- Delivered 50+ sessions with ICAI & professional bodies
- Preferred TP partner to tax, audit & law firms
- Special Invitee – Committee on International Taxation, ICAI

Notes

1. ^{▲ [p.3]} https://tax.gov.ae/Datafolder/Files/Legislation/Federal-Tax-Authority/FTA_lawUnitedArabEmiratesDecision42024Decision No. 4 of 2024on FTA Policy for Issuance of Clarifications and Directives - for publishing.pdf
2. ^{▲ [p.3]} <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/transfer-pricing/transfer-pricing-country-profile-united-arab-emirates.pdf>
3. ^{▲ [p.3] [p.4] [p.4] [p.4] [p.5] [p.6] [p.12] [p.13]} https://www.oecd.org/en/publications/2022/01/oecd-transfer-pricing-guidelines-for-multinational-enterprises-and-tax-administrations-2022_57104b3a.html
4. ^{▲ [p.4]} https://www.oecd.org/en/publications/2015/10/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report_g1g58cf0.html
5. ^{▲ [p.4] [p.13]} https://www.oecd.org/en/publications/2010/07/2010-report-on-the-attribution-of-profits-to-permanent-establishments_d659f672.html
6. ^{▲ [p.4] [p.13] [p.13]} https://www.oecd.org/en/publications/2019/04/model-tax-convention-on-income-and-on-capital-2017-full-version_g1g972ee.html
7. ^{▲ [p.4] [p.13]} https://www.oecd.org/en/publications/2018/03/additional-guidance-on-the-attribution-of-profits-to-a-permanent-establishment-under-beps-action-7_63ee620d.html
8. ^{▲ [p.4]} <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>
9. ^{▲ [p.10]} <https://tax.gov.ae/Datafolder/Files/Guides/VAT/General Procedure/Private-Clarifications-EN-18-11-2024.pdf>
10. ^{▲ [p.16]} <mailto:praneeth@sbcllp.in>