



# UAE Transfer Pricing Key Regulations and APA Framework Updates

## Transfer Pricing Overview

Transfer Pricing (TP) refers to the pricing of transactions between related entities within the same multinational enterprise (MNE) group. Since tax rates vary across countries, MNEs have an incentive to structure their transfer prices to minimize the group's overall tax liability. This is often achieved by shifting profits from high-tax jurisdictions to low-tax or tax-haven countries. The pricing strategy in such cases typically deviates from the "Arm's Length Principle" (ALP), which establishes that the transactions/arrangements between related entities shall be priced as if they were conducted between independent parties.

Such practices often lead to the erosion of tax revenues in high-tax countries, as profits are systematically shifted to jurisdictions with favorable tax regimes. While transfer pricing is a legitimate business planning practice, its misuse for tax-shifting purposes remains a key concern for tax authorities worldwide.

## The UAE Transfer Pricing Regime

In 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) issued Federal Decree-Law No. 47 of 2022<sup>1</sup> on the Taxation of Corporations and Businesses (UAE CT Law). This legislation introduced TP provisions effective for tax periods starting on or after June 1, 2023, to ensure compliance and transparency in business transactions among related parties.

Subsequently, on May 11, 2023, the UAE MoF issued Ministerial Decision No. 97 of 2023<sup>2</sup>, detailing requirements for preparing and maintaining transfer pricing documentation under the UAE corporate tax regime. Later, on October 23, 2023, the Federal Tax Authority (FTA) released the UAE TP Guide<sup>3</sup>, aligning UAE transfer pricing provisions with the Organization for Economic Cooperation TP Guidelines for Multinationals and Tax Administrations (OECD TP Guidelines) while incorporating a few UAE-specific requirements.

1. [Federal Decree-Law No. 47 of 2022](#)

2. [Ministerial Decision No. 97 of 2023](#)

3. [UAE TP Guide](#)



The TP provisions in the UAE apply to transactions or arrangements between persons who are Related Parties or Connected Persons. The entities elected for the small business relief, and standalone entities with no related party transactions are subject to TP rules and need to meet the arm's length principle in case of controlled transactions. However, they are not required to prepare and keep TP Documentation.

A key UAE-specific provision is that payments to Connected Persons must also comply with the ALP to qualify for a corporate tax deduction. Non-arm length payments will be disallowed. For UAE CT purposes, Connected Persons include individuals or entities with direct or indirect ownership or control of the Taxable Person, directors or officers, relatives, partners in unincorporated partnerships, and any Related Party to these individuals or entities. The local law has outlined the following TP documentation requirements for certain taxable persons that are required to be prepared for each tax period:

- Transfer Pricing Disclosure Form (TPDF)
- Master File (MF)
- Local File (LF)
- Country-by-Country Report (CbCR)
- Additional supporting information upon request by the FTA tax period.

A taxable person must prepare and maintain a Master File and a Local File if either of the following conditions is met during the relevant tax period:

- The taxable person is part of a multinational enterprise (MNE) group with a total consolidated group revenue of AED 3.15 billion or more or
- The taxable person's revenue for the relevant tax period is AED 200 million or more.

Further, taxable persons are required to file a disclosure containing information regarding the taxable person's transactions with its related parties and connected persons in the TPDF prescribed by FTA, together with their Tax Return. The materiality threshold for transactions with related parties is as follows:

**Primary Threshold:** The aggregate value of all transactions with all related parties exceeds AED 40 million.

**Secondary Threshold:** Aggregate value of transactions per category with all related parties exceeds AED 4 million. For this purpose, the category of transactions is as follows:

- Goods;
- Services;
- Intellectual property;
- Interest;
- Assets;
- Liabilities, and
- Other

Furthermore, irrespective of whether the taxable person meets the above thresholds, all transactions with related parties or connected persons must adhere to the arm's length principle as required under the local laws.

## OECD TP guidance on Dispute Resolution Mechanism

In July 2013, the OECD published an Action Plan on Base Erosion and Profit Shifting (BEPS). This set out 15 BEPS actions to equip governments with domestic and international instruments to ensure that profits are taxed where economic activity and value creation take place. These tools help to address the specific tax challenges arising from the digitalization of the economy, and they give businesses greater certainty by reducing disputes over the application of international tax rules and standardizing compliance requirements. The OECD's Base Erosion and Profit Shifting (BEPS) Action Plan 14 introduced a minimum standard for resolving treaty-related tax disputes through the Mutual Agreement Procedure (MAP) to address tax avoidance and enhance dispute resolution. This framework ensures timely, efficient, and effective resolution of tax disputes while fostering collaboration between tax authorities.

Chapter IV of the OECD TP Guidelines further explores Safe Harbour Rules and Advance Pricing Agreements (APAs) as alternative dispute resolution mechanisms.



A safe harbour in transfer pricing provides a simplified compliance framework for specific taxpayers or transactions, exempting them from certain obligations under general transfer pricing rules. It replaces complex requirements with simpler compliance measures, reducing administrative burdens for both multinational enterprises (MNEs) and tax authorities. Prices set under Safe Harbour Rules ('SHR') are automatically accepted by tax administrations that have formally adopted them. Currently, the FTA does not prescribe detailed guidance on the process, coverage of the transactions, and the rates for the SHR mechanism.

On the other hand, an APA is a formal arrangement between a taxpayer and one or more tax authorities, typically lasting multiple years, establishing the pricing methodology for transactions between related entities. By offering a structured framework, APAs help resolve transfer pricing issues proactively, reducing the likelihood of disputes and ensuring compliance with tax regulations.

APAs provide taxpayers and competent authorities with "advance" tax certainty, ensuring clarity on the tax treatment of covered transactions over a specified period. By addressing transfer pricing issues in advance, APAs complement traditional administrative, judicial, and treaty-based dispute resolution mechanisms by preventing disputes before they arise.

**The OECD TP Guidelines outline three primary types of APAs:**

**Unilateral APAs:** Agreements between a taxpayer and a single jurisdiction, governed solely by domestic law. These provide tax certainty only within the respective jurisdiction.

**Bilateral APAs (BAPAs):** Agreements between two jurisdictions, typically formalized through arrangements between the taxpayer and each jurisdiction's competent authority. These agreements ensure tax certainty in both jurisdictions.

**Multilateral APAs:** Agreements involving more than two jurisdictions offer broader tax certainty compared to bilateral agreements. However, they present greater complexity and challenges due to the increased coordination required and the limited experience of many jurisdictions in handling such agreements. While some challenges overlap with BAPAs, the involvement of multiple stakeholders adds further complexity.

## The UAE APA Framework: Key Developments

On June 11, 2024, the UAE FTA issued Decision No. 4 of 2024<sup>4</sup>, laying the groundwork for the implementation of an APA framework under the UAE CT Law. This decision enables taxpayers to apply for an APA concerning proposed or existing transactions and arrangements. It further clarifies that the FTA will announce the start date for accepting APA applications, along with the procedures for submission and issuance, in the fourth quarter of 2024.

Building on this development, the FTA issued Decision No. 2 of 2025 on February 19, 2025<sup>5</sup>. Introducing key updates on tax clarifications and the implementation of the APA framework. The decision, effective from March 1, 2025, establishes a general framework for the APA mechanism, offering businesses greater clarity and predictability in transfer pricing arrangements.

In alignment with Article 59 of the Federal Decree-Law No. 47 of 2022, the decision formally outlines the FTA's approach to APAs. Businesses can now apply for unilateral APAs, with applications being accepted from the fourth quarter of 2025. The timeline for submitting other types of APAs, potentially including BAPAs, will be announced subsequently. While unilateral APAs provide certainty on domestic tax treatment, BAPAs are generally preferred by multinational businesses as they help reduce the risk of double taxation by ensuring agreement between tax jurisdictions.



4. [FTA's Decision No. 4 of 2024](#)

5. [FTA's Decision No. 2 of 2025](#)



The UAE FTA is expected to issue further guidance on key aspects of the APA framework, including eligibility thresholds, entry requirements, financial periods covered (including clarity on rollback provisions), and other compliance obligations.

As the UAE Transfer Pricing Guidelines largely align with the OECD TP Guidelines, it is anticipated that the UAE's APA program will also follow the principles outlined in Chapter IV of the OECD TP Guidelines. A general overview of an APA program typically includes the following elements:

**Eligibility Criteria:** APA programs generally define both a timeframe within which an application may be submitted for a financial year and a minimum threshold for the value of related-party transactions undertaken or proposed.

**Types of APAs:** APAs can be Unilateral, Bilateral, or Multilateral, depending on the involvement of tax authorities from multiple jurisdictions.

**Time Period:** APAs typically cover a specified period of three to five years, with the possibility of rollback provisions extending to prior years (also ranging from three to five years).

**APA Process:** The APA process generally involves the following key steps:

- Pre-filing consultation (it can be mandatory or voluntary);
- APA application and fees;
- Questionnaires asking for more information around the transaction or the parties to the transaction;
- Procedure including site visits<sup>6</sup> and meetings with the APA authority;
- Negotiation between UAE FTA and the taxpayer in case of Unilateral APAs;
- Signing of the agreement; and
- Post APA compliance in the form of an Annual Compliance Report.

## Implications of the UAE APA Framework

Globally, APAs have been instrumental in mitigating tax disputes and transfer pricing litigation, providing businesses with a structured framework for achieving tax certainty and compliance efficiency.

The introduction of the APA framework in the UAE is expected to minimize tax risks and disputes by securing pre-approved transfer pricing methodologies, enhancing tax certainty for businesses engaged in complex intercompany transactions, and reducing compliance burdens and administrative costs. Additionally, by aligning with international tax best practices, the APA framework will strengthen the UAE's investment attractiveness and foster a stable and transparent tax environment. How closely the framework will align with the OECD BEPS Action Plan 14 on dispute resolution mechanisms remains to be seen. Additionally, it will be insightful to evaluate how the framework addresses issues related to the interpretation or application of tax treaties and whether it aligns with the legal remedies outlined under the OECD's Mutual Agreement Procedures.

As businesses prepare for the first year of UAE CT and TP compliances, introducing the APA framework is a welcome development, strengthening the region's tax transparency and dispute resolution mechanisms.



6. A site visit is conducted by tax authorities to physically verify business operations, functional profiles, and transfer pricing methodologies of the taxpayer. This helps ensure that the APA terms align with the actual business activities and economic substance of the transactions.

Businesses that intend to apply for an APA will be required to maintain robust TP policy along with TP documentation that aligns with their commercial substance and backs the actual business practice, prepare intercompany agreement that encapsulates the TP policy, and decide on the way forward of information exchange while dealing with the APA Authorities.

It will be interesting to see if the FTA introduces specific provisions for companies taxed at 0%, 9%, or 15% or if it will also address domestic transactions between entities taxed at different rates. Additionally, clarity on how a Tax Group can apply for an APA and whether the pricing determined under an APA will be relevant for VAT purposes would be valuable.

## Way Forward

Entities with related party transactions need to ensure that they are conducting these transactions at an arm's length pricing. Entities with large value-related party transactions should look at APAs as a way to manage their risks and ensure tax certainty. Companies would have to prepare for transfer pricing compliances as this could be one of the most litigated areas.



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