ICAI (DUBAI) CHAPTER · UAE CORPORATE TAX & TRANSFER PRICING

Transfer Pricing in the UAE: Recent Developments, Practical Implications & the AI-Integrated Compliance Workflow

From first-cycle compliance to audit-ready positions — and from manual documentation to agentic execution

30 DEC 2025	14 APR 2026	29 APR / 15 JUL 2026	1 JUL 2026
APA Guide CTGAPA1 — domestic UAPAs open	CD 129/2025 penalty regime in force	CTP010 & CTP011 clarifications	E-invoicing pilot & voluntary phase live

AGENDA

Seven moving parts — and one workflow that connects them

01–02

The clarification wave & the reconciliation imperative

First cycle vs second; **CTGAPA1**, **CTP010**, **CTP011** — then disclosure thresholds and the seven-layer data trail that defends the position.

03

Ten misconceptions & mistakes of the first TP filings

The beliefs that shaped first-cycle returns — and the defensible corrections before the **30 September 2026** filing.

04

Audit risk map & the new penalty economics

Likely entry points; **CD 129/2025** inverts the economics of waiting; **QFZP** as the largest value at risk; TNMM discipline.

05

Advance Pricing Agreements

The pre-filing gateway, the certainty-for-discipline trade, and the phased **UAPA** rollout under **Article 59**.

06

The wider impact map

Pillar Two / **DMTT** at **15%**, **MD 96/2026** OECD-2026 alignment, the TP × GloBE intersection — and the clarifications still awaited.

07

The AI-integrated workflow & the 30 Sep guardrails

E-invoicing gives the **FTA** real-time data; the answer is workflow integration — closed with the compliance stack and ten guardrails.

Three years from rule-making to enforcement — the clock has already turned

DEC 2022

Corporate Tax Law

Federal Decree-Law No. 47 of 2022 embeds TP in Chapter 10 — **Arts. 34–36, 55, 59**.

APR–OCT 2023

MD 97/2023 · CTGTP1

Master/Local File **thresholds** set; the **FTA** TP Guide details methods, comparability, documentation.

1 JUN 2023

Regime takes effect

TP applies to tax periods starting on or after **1 June 2023** — **FY 2024** for most companies.

30 SEP 2025

First cycle closes

First broad filing cycle with TP Disclosure Forms closes — positions are now on record.

DEC 2025 – JUL 2026

The clarification wave

CTGAPA1 · **CD 174/2025** fees · **CD 129/2025** penalties · CTP010 · CTP011 · MD 301/2025 · MD 96/2026.

NOW → 2027

Enforcement + real-time data

First substantive audit wave; e-invoicing pilot live **1 Jul 2026** — mandatory from **1 Jan 2027** (≥ AED 50m).

OECD-aligned by design — enforced with international rigour. The UAE framework adopts the OECD Guidelines almost in full — five methods, the **comparability** framework, three-tier **documentation** — and applies to domestic as well as cross-border dealings, including **Free Zone**–mainland flows. The legislative stack is complete; the FTA has moved from rule-making to administration.

The first cycle created positions; the second tests consistency

FIRST CYCLE · IMPLEMENTATION

- Related Party and **Connected Person** identification for the first time
- Initial Disclosure Form interpretations without settled practice
- Retrospective **documentation** and intercompany agreements
- **Limited transaction-level segmental data**
- **Focus on meeting the filing deadline**

SECOND CYCLE · DEFENSIBILITY

- Prior-year positions can now be compared side by side
- Changes in classification become visible to the **FTA**
- Actual conduct can be tested against contracts
- CTP010, CTP011 and the **APA** Guide remove interpretive excuses
- Audit readiness matters more than filing completion

For most calendar-year filers: FY2024 was the first full position-building year; the first broad filing cycle closed **30 September 2025**; **FY2025** returns due **30 September 2026** are the second major cycle — the FTA can now read two years together.

Three FTA publications — and one penalty decision — reshape the landscape

DEC 2025

APA Guide (CTGAPA1)

A formal route to prospective certainty for material recurring uncertainty — mandatory **pre-filing** consultation; domestic unilateral APAs first.

APR 2026

Directors & officers (CTP010)

Director status follows formal board appointment; officer status follows actual authority — job titles alone are not decisive. Dual RP/CP → RP prevails.

JUL 2026

Downward adjustments (CTP011)

Self-assessed **downward adjustments** need no prior **FTA** approval — but demand full disclosure, irrespective of **thresholds**, and a complete evidence file.

14 APR 2026

Penalty economics (CD 129/2025)

14% p.a. interest (computed monthly) on late tax from TP adjustments; +**15%** fixed **penalty** on post-notification **voluntary disclosure**. Waiting is now the expensive option.

Sources: FTA CTGAPA1 (30 Dec 2025); Public Clarifications CTP010 (29 Apr 2026) and CTP011 (15 Jul 2026); Cabinet Decision No. 129/2025 (in force 14 Apr 2026) — tax.gov.ae.

Positions filed in the first cycle can now be compared, tested and questioned — audit and controversy readiness is the practical priority, not an announced FTA audit programme.

PART 01

Recent FTA clarifications and their practical effect

The 2025–26 wave in detail — what changed, and what it demands at filing

Downward adjustments | Directors & officers | Dual RP/CP status | Market-value support

01

CTP011 resolves the questions that shaped first-cycle practice

EARLIER UNCERTAINTY	CLARIFIED BY CTP011 (15 JULY 2026)
"Is prior FTA approval required?"	No — the taxpayer self-assesses the adjustment; no pre-approval process applies.
"Do ordinary ***thresholds*** *limit disclosure?"*	Every RP transaction subject to a **downward adjustment** is disclosed, irrespective of value or nature.
"Which direction can adjustments take?"	Adjustments may increase or decrease Taxable Income — downward carries the enhanced conditions.
"Self-adjustment or corresponding adjustment?"	CTP011 addresses self-adjustments under **Art. 34**(1) — not corresponding adjustments under **Arts. 34**(10)–(11).
"Is the position final once filed?"	No — the adjustment remains subject to potential Tax Audit; the evidence must exist at filing.

Source: FTA Public Clarification CTP011 (July 2026); Federal Decree-Law No. 47 of 2022, Article 34.

A downward adjustment is a documented correction — not a return entry

SET 1
Commercial rationale

Why the recorded price was not **arm's length** — facts, pricing error and cause, stated contemporaneously.

SET 2
Arm's-length analysis

Method selection, **benchmarking** and the specific adjustment point that produces the **arm's-length** outcome.

SET 3
Financial reconciliation

Original accounting value, adjusted tax value and the Tax Return impact — traceable line by line.

SET 4
Counterparty symmetry

Corresponding, consistent treatment by the **Related Party** — evidenced, not assumed.

WORKED EXAMPLE (ILLUSTRATIVE FIGURES ONLY)

Booked RP sale	→	Downward adjustment	→	Arm's-length outcome
AED 120		**(20)**		**AED 100**
Recorded related-party value		Self-assessed under Art. 34(1)		Adjusted taxable outcome

*Disclosure is required irrespective of ordinary **thresholds**; the accounting books are not automatically amended — the Tax Return, TPDF, **Local File** and the counterparty position must reconcile to the adjusted value. Source: FTA **CTP011** (July 2026).*

Directors follow governance; officers follow authority — titles prove nothing

1

Board appointment?

Formally appointed to the board or an equivalent governing body? If yes — a director, whatever the job title says.

2

If not a director — test authority

Does the person hold ultimate authority to plan, direct or control the business?

3

Strategic decisions

Final strategic financial, operational or commercial decisions made by this person?

4

Power to bind

Can the person legally or contractually bind the **Taxable Person** — POA, licence manager, board resolution?

5

Delegated limits

A person acting within limits set by senior management may not be an officer.

6

Conduct decides

Actual conduct may override the formal designation — evidence the real authority, both ways.

Dual RP/CP status — RP treatment prevails. A person who is both a Related Party (**Art. 35**) and a Connected Person (**Art. 36**) is treated only as a Related Party — the payment is never duplicated across both schedules. Preserve a written classification rationale. Source: FTA **CTP010** (29 Apr 2026); Arts. 35–36, FDL 47/2022.

Article 36 support requires more than a salary range

Identity & authority	Who the person is under **CTP010** — and the authority genuinely exercised, evidenced by conduct rather than title.
Services & benefit	The services actually provided, the commercial need for them, and the business benefit received.
Capability & commitment	The person's experience and capability, and the time actually committed to the role.
Market evidence	Reliable market data matched to the actual role, company size, complexity and financial capacity.
Reconciliation	The amount reconciled to payroll, general ledger, financial statements and the CP schedule.

THE TNMM TRAP

An acceptable entity-level **TNMM** margin may corroborate the result — it does not replace direct evidence of the individual's market value.

Title-based **benchmarking** without role analysis is the most common weakness — the review follows the person's actual contribution, not the label.

Sources: Art. 36, FDL 47/2022; FTA CTP010; FTA TP Guide CTGTP1 (2023) — intra-group and Connected Person guidance.

PART 02

Disclosure ambiguity and the reconciliation imperative

What to report, where to report it — and the single data trail that defends the position

Thresholds vs obligation

The seven-layer chain

One mismatch, many challenges

02

Disclosure thresholds decide the paperwork — never the principle

RELATED PARTY SCHEDULE

AED 40m

Aggregate RP transactions — triggers the RP schedule

AED 4m

Per transaction category — separate line-by-line disclosure

CTP011

Downward-adjusted RP transactions — disclosed irrespective of value or nature

CONNECTED PERSON SCHEDULE

AED 500k

Per Connected Person, together with that person's **Related Parties**

Art. 36

Deductible only at market value, incurred wholly and exclusively for the business

CTP010

Directors and officers identified by governance and authority — not job title

ARM'S-LENGTH OBLIGATION

Every dirham

The Art. 34 **arm's-length** standard applies to every controlled transaction

On enquiry

Documentation and evidence may still be required below the **thresholds**

No shortcut

Thresholds calibrate **documentation** — never the pricing obligation itself

Below the reporting threshold does not mean outside transfer pricing. The Article 34 arm's-length requirement applies to every controlled transaction — even SBR-electing and exempt persons must price at arm's length and substantiate on request. Sources: **MD 97/2023** (as amended by **MD 301/2025**); FTA CTGTXR1; **CTP011**.

THE RECONCILIATION CHAIN

The reconciliation chain is the centre of the audit defence

Parties → Classification → Agreements → Invoices → Statements → Balances → Reporting

Each layer may be reasonable in isolation — the audit risk arises when the layers do not reconcile with one another.

Agreement to conduct

Contractual terms tested against the functions actually performed and controlled.

Invoices to ledger

Invoice-level values traced through subledger, general ledger and trial balance.

Ledger to statements

Trial balance tied to the audited financial statements and their related-party notes.

Balance movement

Opening + transactions − settlements ± credits/FX = closing — mirrored by the counterparty.

Counterparty symmetry

Taxpayer records matched to the counterparty's mirror records and classification.

TP to tax reporting

Benchmark and adjustments tied to TPDF, CT Return, **Local File** and **Free Zone** schedules.

*Practitioner framework built on the **Article 55** record-keeping obligations and the **FTA** TP Guide. A high-level ledger-to-statements tie alone is not sufficient.*

One unexplained mismatch invites several simultaneous lines of challenge

Agreement	≠	Invoices	≠	Ledger	≠	FS note	≠	TPDF
AED 10.0m		AED 9.6m		AED 9.8m		AED 8.9m		AED 9.5m

No two records agree — the closing balance does not reconcile to invoices and settlements, and the counterparty reports a different transaction category.

Omitted or inaccurate disclosure

Completeness and accuracy of the TPDF are in question before pricing is even discussed.

Unreliable benchmarking population

The tested amounts are uncertain — the study's population cannot be trusted.

Unproven services or benefit

Deduction challenged under **Art. 36** / benefit test; the charge reads as unsupported.

Deemed financing

The aged, unreconciled balance invites a separate financing delineation and pricing.

Penalties or adjustment

Upward adjustment at **9%** plus the **CD 129/2025** interest overlay.

Weakened litigation position

Reconsideration or appeal starts with the taxpayer explaining its own inconsistencies.

Illustrative hypothetical only — not an actual FTA case.

PART 03

Ten misconceptions and mistakes of the first UAE TP filings

What first-cycle returns got wrong — and the defensible correction before 30 September 2026

Scope myths

Method myths

Disclosure myths

Timing myths

03

Scope and status: where first filings went wrong first

	THE FIRST-CYCLE BELIEF		THE DEFENSIBLE POSITION
1	*“We're below **AED 40m**, so **transfer pricing** doesn't apply to us.”*	→	Thresholds calibrate disclosure only. The **Art. 34** **arm's-length** obligation applies to every controlled transaction from the first dirham — the **FTA** can enquire below every threshold.
2	*“Domestic and **Free Zone** transactions are outside the regime.”*	→	Intra-UAE and mainland–**Free Zone** dealings are fully in scope — and QFZP flows face a dual test: **Art. 34** arm's length plus the qualifying-income analysis, with **0%** status at stake.
3	*“The person is both RP and CP — we reported the payment in both schedules.”*	→	CTP010: where RP and CP status overlap, **Related Party** treatment prevails — the payment is never duplicated. Keep the written classification rationale on file.
4	*“A 'General Manager' salary survey supports the owner-director's remuneration.”*	→	Art. 36 requires role-matched market evidence, the wholly-and-exclusively test, and **reconciliation** to payroll and ledger. Titles prove nothing — **CTP010** tests governance and actual authority.
5	*“Exempt or Small Business Relief status means no **arm's-length** work is needed.”*	→	Even SBR-electing and exempt persons must price at **arm's length** and be able to substantiate on request — relief changes the tax outcome, not the pricing obligation.

Sources: Arts. 34–36 FDL 47/2022; MD 97/2023; FTA CTGTP1 (2023); FTA CTP010 (29 Apr 2026).

Method, disclosure and timing: the errors the second cycle exposes

	THE FIRST-CYCLE BELIEF		THE DEFENSIBLE POSITION
6	*"Our entity-level **TNMM** validates every intercompany flow."*	→	An entity-wide margin cannot validate an unrelated royalty, service charge, CP payment or aged balance — delineate the transaction and segment before **benchmarking** (OECD Ch. I; **CTGTP1**).
7	*"Year-end balances aren't transactions — nothing to report or price."*	→	Report the flows — and test extended balances separately: the period beyond **arm's-length** credit terms may be a financing transaction to delineate, price and document.
8	*"A downward adjustment needs **FTA** approval — or can be netted quietly."*	→	CTP011: self-assessed, no prior approval — but disclosed irrespective of value or nature, with the four-set **evidence file** (rationale, analysis, **reconciliation**, counterparty symmetry) existing at filing.
9	*"Documentation can be prepared when the **FTA** asks for it."*	→	Thirty days is a production window, not a preparation window. The contemporaneous standard governs — a policy written after the **audit** letter is reconstruction, and **e-invoicing** will make that provable.
10	*"The benchmarking study is a one-time exercise; the first filing closed the year."*	→	Comparables and financials are refreshed annually, contemporaneously in the **Local File** — and positions stay open: prior years are comparable, **CD 129/2025** makes pre-audit correction the cheap path, and **FDL 17/2025** extends FTA reach to 15 years where evasion is suspected.

Sources: FTA CTGTP1; OECD TPG 2022 Chs. I & III; FTA CTP011 (15 Jul 2026); Art. 55(4) FDL 47/2022; CD 129/2025; FDL 17/2025.

PART 04

The audit risk map and the new penalty economics

Where scrutiny lands first — and why waiting for the notice is now the expensive option

Nine entry points

CD 129/2025 economics

QFZP value at risk

TNMM discipline

04

The easiest audit entry points are data-driven

Omitted RP or CP transactions
Detection high · Impact high
Ask: registers, FS notes, ledger

Director, officer & owner payments
Detection high · Impact medium
Ask: payroll, POAs, role evidence

Aged interest-free balances
Detection high · Impact medium
Ask: ageing, bank settlement

TPDF vs audited statements
Detection high · Impact high
Ask: reconciliation workings

Cross-border fees, royalties, financing
Detection medium · Impact high
Ask: agreements, benefit evidence

Mainland–Free Zone transactions
Detection medium · Impact high
Ask: segmentation, QFZP analysis

Significant year-end TP adjustments
Detection high · Impact medium
Ask: workings, counterparty mirroring

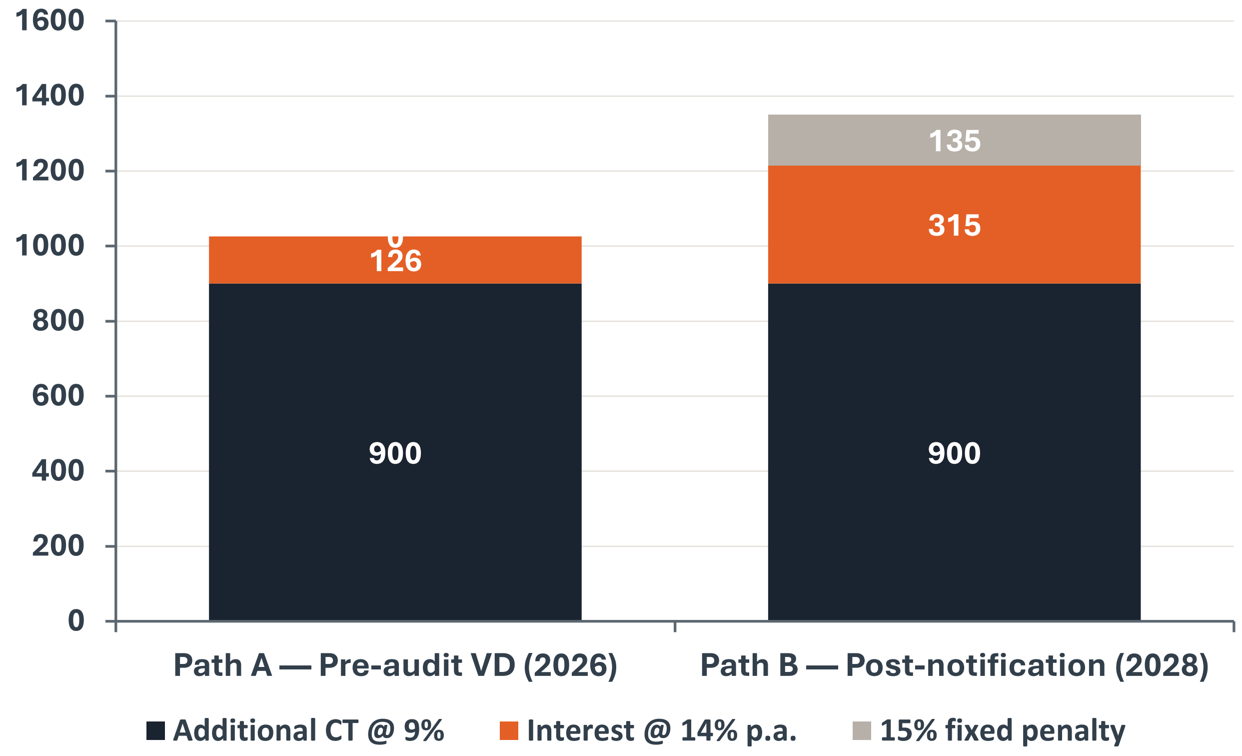
Entity-level TNMM, no segmentation
Detection medium · Impact medium
Ask: segmental accounts

Recurring losses vs functional profile
Detection high · Impact high
Ask: risk-control evidence

*Practitioner risk assessment based on the UAE framework — not a published **FTA** audit-selection list. Each indicator is testable from objective records already visible to the **FTA** — and from 2027, from near-real-time e-invoice data.*

What a TP adjustment really costs — the economics of waiting have inverted

TOTAL CASH OUTFLOW BY PATH (AED '000)



The scenario

FTA raises an upward TP adjustment of AED 10m on FY-2025 related-party charges (benchmarking outside the **IQR**). Additional Corporate Tax at **9%** = AED 900k.

Path A — sweep now

Position identified and voluntarily disclosed in 2026: ~1 year of 14% p.a. interest (≈ **AED 126k**). Total ≈ AED 1.03m.

Path B — wait for the notice

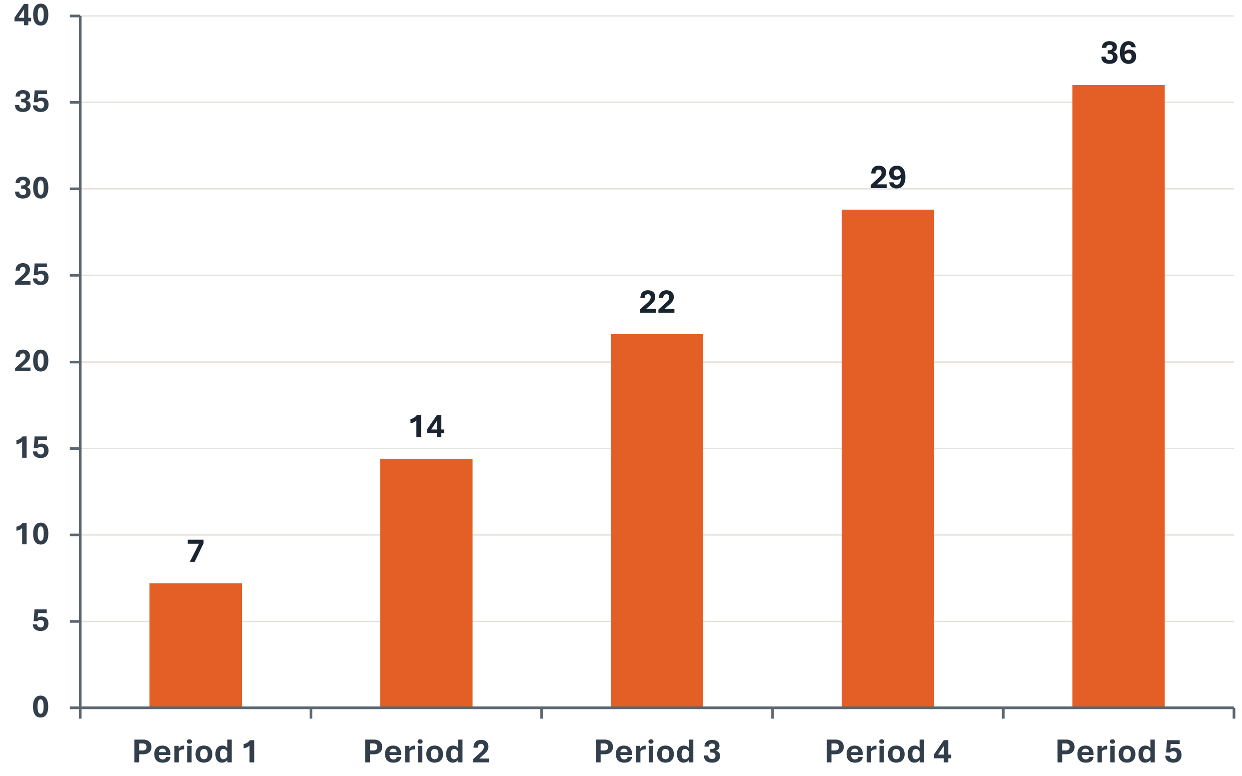
Audit notice issued; VD filed post-notification in 2028: 15% fixed penalty (**AED 135k**) + ~2.5 years of interest (≈ **AED 315k**). Total ≈ AED 1.35m.

+32% cost of waiting for the audit notice — plus QFZP status risk, deduction denial and a permanent audit-trail entry.

Illustrative — model mechanics, not a client computation. Sources: CD 129/2025 (14 Apr 2026): 14% p.a. interest computed monthly; 15% fixed penalty on post-notification VD; FDL 17/2025 VD mechanics; Art. 34 FDL 47/2022.

QFZP status — the single largest value at risk in a TP audit

CUMULATIVE CT COST OF LOSING QFZP STATUS (AED m)



SCENARIO ASSUMPTIONS

- Free-zone entity earns **AED 80m** p.a. Qualifying Income taxed at **0%** as a QFZP.
- A TP audit finds mainland-affiliate service charges priced below **arm's length** and a **Local File** that cannot support the **0%** basis.
- Consequence under **CD 100/2023**: **QFZP** status is lost from the beginning of the relevant **Tax Period** and for the four subsequent Tax Periods.
- Standard 9% CT applies to the previously-0% income for all five periods — before any **CD 129/2025** interest on late positions.

AED 36m five-period cost of one failed arm's-length position. The defence file costs a fraction of one period's exposure.

Illustrative — model mechanics, not a client computation. Sources: Art. 18 FDL 47/2022; CD 100/2023 (loss of status: Tax Period + 4 subsequent); Art. 34 ALP condition; CD 129/2025 interest overlay.

Functional comparability beats geographic labels

Delineate first OECD Ch. I; FTA CTGTP1	Accurately delineate the controlled transaction before any method: functions, assets, risks and actual conduct — at transaction level, or on reliable segmental results. An entity-wide margin cannot validate an unrelated transaction.
Tested party & PLI OECD Ch. III §§3.18–3.19	Select the **tested party** for functional simplicity and data reliability; the PLI follows the functional profile of the tested transaction — never the convenience of the resulting margin. A foreign **tested party** is possible where reliability supports it.
Comparables strategy FTA CTGTP1; OECD Ch. III	Begin with local **comparables** where reliable data exists; widen to regional or global sets when required — assessing functional, product, market, contractual and risk differences at each widening step.
Comparability discipline OECD Ch. I & III	Geographic proximity does not cure functional incomparability. Adjust for material differences — or reject the comparable, whatever its geography. Document acceptance and rejection reasons per comparable so the set survives re-performance.

FTA benchmarking discipline: recognised databases; interquartile-range preference — outside the **IQR** invites adjustment; ANNUAL **comparables** refresh maintained contemporaneously inside the **Local File**. Stale studies read as reconstruction.

FY 2025 comparable data is in — verify before the Local File is finalised

OPERATIONAL TRANSACTIONS — PRICED ON RESULTS

Annual update is the non-negotiable element

- Services, distribution, manufacturing, management fees — **TNMM** / Cost Plus: **comparables**' financial data refreshed every year; **IQR** re-computed.
- Full search update at least every three years — Y1 full search, Y2–Y3 financial updates, Y4 full search — or immediately on a change in circumstances (**CTGTP1** §5.3.5.4).
- Comparable-data year should match the year under review — **FY 2025** Local Files, **FY 2025** comparable data.

FY 2025 STATUS **Data available since Aug 2026 — update and verify now, before filing.**

FINANCIAL TRANSACTIONS — PRICED AT INCEPTION

Benchmark at issue date — re-perform on triggers

- Loans, guarantees, fixed commissions: priced on market conditions at issuance — tenor, currency, credit profile, structure, spreads (OECD Ch. X §§10.31–10.32). No annual operating data to refresh.
- Re-benchmark in the year of a trigger: changed terms, obligor credit-profile shift, or a material macro change — and refresh every three years as best practice even without one.
- Inventory every instrument outstanding in **FY 2025** with the date of its last benchmark.

FY 2025 STATUS **Confirm in writing no trigger event — log the last benchmark date in the Local File.**

An FY 2025 Local File supported by FY 2024 comparable data no longer meets the OECD and UAE minimum standard. 2025 margins reflect post-inflation cost normalisation the 2024 data does not capture — verify the **tested party**'s **FY 2025** margin against the refreshed range now, so any year-end adjustment is made proactively rather than under audit. Where the last full search dates from **FY 2022** or earlier, a full comparables refresh — not only a financial update — is due.

Sources: OECD TPG 2022 paras. 5.37–5.38 & 10.31–10.32; FTA CTGTP1 §5.3.5.4; SBC Technical Note — Benchmarking Update Frequency for FY 2025 (Aug 2026).

PART 05

Advance Pricing Agreements: certainty before controversy

Article 59 activated — the UAE's first formal TP certainty instrument

AED 100m materiality | Mandatory pre-filing | The certainty-for-discipline trade | Phased rollout

05

The programme is live — key parameters at a glance

AED 100m

Materiality — total Controlled Transaction value per **Tax Period** (**arm's-length** value, self-assessed; FTA discretion below)

3–5

Tax Periods covered — prospective only; no rollback to prior periods at this stage

AED 30k / 15k

Non-refundable fee — new application / renewal or amendment (**CD 174/2025**, effective **1 Jan 2026**)

6–9 months

Indicative **FTA** timeline from a completed request, subject to cooperation; **pre-filing** outcome within 60 Business Days

PHASED ROLLOUT

1 — 30 DEC 2025

Domestic UAPAs

Applications open for domestic Controlled Transactions — mandatory **pre-filing** consultation first.

2 — TO BE ANNOUNCED

Cross-border UAPAs

Commencement to be announced — a **UAPA** binds only the **FTA**; foreign authorities are not bound.

3 — LATER PHASE

BAPA / MAPA

Bilateral and multilateral APAs through the Mutual Agreement Procedure under UAE treaties.

Timing gate: file within 2 months of **pre-filing** approval, or ≥ 12 months before the first covered period — whichever is earlier. Safe-harbour transactions (incl. low-value-adding services) are excluded from scope and from the **materiality** calculation. Tax Groups: only the Parent Company applies.

Sources: Art. 59 FDL 47/2022; FTA CTGAPA1 (30 Dec 2025); CD 174/2025 fee schedule (1 Jan 2026).

The UAPA lifecycle — pre-filing consultation is the real gateway

1 Pre-filing consultation

Mandatory; possibly several meetings. FTA examines transactions, complexity, method, **audit** history, records. Outcome within 60 Business Days. Not binding.

2 Formal application

On FTA invitation — **AED 30,000** fee, full functional, economic and financial analysis. Supplemental info within 40 Business Days when requested.

3 Evaluation & negotiation

Information requests, possible interviews and site visits; the **FTA** shares its own TP analysis; written feedback within 30 Business Days.

4 Conclusion & implementation

Initial UAPAs cover 3–5 prospective Tax Periods; the agreed method and critical assumptions are applied in the financial statements.

5 Annual compliance

APA Annual Declaration per covered period — within 90 Business Days of signing or by the CT return due date, whichever is later.

6 Revision or renewal

Critical-assumption changes reported within 20 Business Days; material change or non-compliance can lead to revision, cancellation or revocation.

*Legal effect: binding on the FTA and the applicant for covered transactions and periods only — no precedent for other periods or persons; prospective only. Source: FTA **CTGAPA1** (**30 Dec 2025**); **Art. 59** FDL 47/2022.*

An APA exchanges flexibility for certainty and discipline

BUSINESS BENEFITS

- Prospective, multi-year certainty (3–5 periods) — eliminates retrospective assessment risk for covered transactions
- Converts adversarial **audit** dynamics into cooperative methodology development
- Predictable ETR for financial reporting, **Pillar Two** modelling and group forecasting
- Particularly valuable in material mainland–**Free Zone** models where **0%** status is at stake

BUSINESS COMMITMENTS

- Comprehensive functional and economic analysis, with 3–5-year projections consistent with the method
- Cooperation with information requests, interviews and site visits
- Compliance with the agreed method and critical assumptions
- Annual APA declaration; critical-assumption changes reported within 20 Business Days

LIMITATIONS

- No precedent for other periods or persons; not binding on foreign tax authorities
- No effect on an existing Tax Audit; uncovered flows remain fully auditable
- Revision, cancellation or revocation may follow material change or non-compliance
- Fees non-refundable even where the process closes unsigned — build fee-at-risk into the go/no-go

An APA is most valuable where recurring uncertainty is material enough to justify continuous transparency and governance. Source: FTA CTGAPA1 (December 2025).

PART 06

The wider impact map: one number moves, everything recomputes

Every TP outcome now feeds four other regimes at once

DMTT · 15% floor

MD 96/2026

TP × GloBE

Interest caps ('thin cap')

Watch list

The 15% floor is live — and MD 96/2026 re-anchors it to OECD 2026

15%

Minimum effective rate on UAE **GloBE** income — top-up bridges any shortfall below the floor

EUR 750m

Consolidated group revenue in ≥ 2 of the preceding 4 fiscal years — anti-fragmentation rules apply

1 Jan 2025

Effective for fiscal years from this date — **FY 2025** is the first live year; EmaraTax registration open

DMTT only

No IIR or UTPR adopted — the UAE collects its own top-up rather than ceding it to foreign parents

MD 96/2026 (22 Jun 2026)

Adopts the OECD (2026) Consolidated Commentary, the 2026 Administrative Guidance and the Jan-2025 GloBE Information Return for the UAE DMTT — repealing **MD 88/2025**, retro-anchored to **FY 2025**. Positions taken under **MD 88/2025** must be re-tested; differences are retroactive.

QDMTT Safe Harbour secured

Transitional Qualified Status (late Aug 2025) means the parent jurisdiction's IIR top-up for UAE income is deemed zero — foreign re-computation stands down (UK MTT, EU IIR, Japan, Korea, Australia). Qualified **CbCR** remains the gateway to the transitional **safe harbour** — **CbCR** quality is now a cash-tax issue.

The compliance clock

First GIR + Top-up Tax Return and payment due **30 Jun 2027** for Dec-2025 year-ends (18-month transitional; 15 months thereafter). Penalty relief for early periods requires demonstrated 'reasonable measures' — scoping, advisor engagement and good-faith data capture during 2026, not a free pass.

Sources: CD 142/2024 (FYs from 1 Jan 2025); enabling FDL 60/2023; MD 96/2026 (22 Jun 2026) repealing MD 88/2025; OECD Transitional Qualified Status (Aug 2025) — mof.gov.ae.

Transfer pricing × Pillar Two — one number moves, everything recomputes

TP outcomes drive the jurisdictional ETR

Intercompany pricing allocates **GloBE** income between jurisdictions — a TP adjustment or policy change can push the UAE ETR below **15%** and trigger top-up, or strand SBIE capacity.

GloBE base ≠ CT base

DMTT runs on the UPE's consolidation standard with **GloBE** adjustments; CT runs on IFRS standalone accounts. TP true-ups, year-end adjustments and permanent differences must be tracked on both bases.

Documentation convergence

Master File / **Local File** analyses should now carry GloBE-ETR sensitivity — showing how TP outcomes feed the jurisdictional ETR is becoming the audit-defence standard.

AED 9.0m → 5.2m: in the briefing's worked model, SBIE + the R&D credit shield **42%** of cash top-up — fully within the **GloBE** architecture.

THE RELIEF STACK — WHAT SHIELDS THE 15%

SBIE	Substance-Based Income Exclusion — payroll + tangible-asset carve-out removes routine **substance** returns from Excess Profit. UAE **substance** is now tax-priced, not just tax-defended.
TCSH	Transitional **CbCR** Safe Harbour deems top-up to zero on election — but only if the CbCR is 'qualified' (FYs starting before **1 Jan 2027**, not ending after **1 Jul 2028**).
R&D credit	CD 215/2025 + **MD 24/2026** (from **1 Jan 2026**): tiered 15/35/**50%** marginal credit on qualifying spend up to AED 5m — max AED 2m p.a., offset against CT first, then Top-up Tax.
Caution	Non-Qualified Refundable Tax Credits (e.g. the high-value employment incentive) reduce covered taxes and can themselves depress the ETR below **15%** — model before claiming.

Sources: CD 142/2024 (SBIE, TCSH); CD 215/2025 + MD 24/2026 (R&D credit); MD 96/2026 GIR annex — mof.gov.ae. Illustrative model mechanics, not a client computation.

Related-party financing now runs a three-gate test — price, purpose, cap

GATE 1

Arm's-length pricing first

Art. 34: rate, tenor, security, currency and credit risk priced against **arm's-length** terms — including the implied financing in extended balances (Part II). An off-market rate fails before any cap is reached.

GATE 2

SIDLR — the purpose test

Art. 31: interest on related-party loans funding dividends, distributions, capital returns or certain group acquisitions is disallowed — permanently — unless the lender's income bears tax of at least **9%**. Non-deductible **SIDLR** amounts are reported in the return.

GATE 3

GIDLR — the quantitative cap

Art. 30: net interest expenditure deductible up to the higher of **30%** of tax-adjusted EBITDA or the **AED 12m** de-minimis; disallowed amounts carry forward up to 10 years. Detailed mechanics in FTA guide **CTGIDL1** (Apr 2025).

- An arm's-length rate does not rescue interest that fails **SIDLR** — and passing both gates still leaves the **GIDLR** cap: model all three together before setting group financing policy.
- Aged balances re-delineated as financing (Part II) add to net interest expenditure — a **reconciliation** failure can consume **GIDLR** capacity you planned to use.
- Pillar Two overlay: disallowed interest changes the CT outcome but not the **GloBE** computation symmetrically — track financing positions on both bases.

Sources: Arts. 30–31 & 34 FDL 47/2022; MD 126/2023; FTA Interest Deduction Limitation Guide CTGIDL1 (Apr 2025); FTA CT Return guidance (SIDLR reporting) — tax.gov.ae.

Proposed and pending changes — what to re-validate at each filing milestone

APA PROGRAMME

- Cross-border **UAPA** commencement — announcement flagged for later in 2026
- BAPA / MAPA framework via the Mutual Agreement Procedure — timing open
- Rollback to prior Tax Periods — currently unavailable; future position open

TRANSFER PRICING

- Corresponding & compensating adjustment mechanics — detailed procedure guidance awaited
- UAE position on OECD **Amount B** (simplified distribution returns) and further safe harbours
- QFZP × TP fine points via clarifications — beneficial-recipient and **substance thresholds**

PILLAR TWO & PROCEDURE

- OECD Substance-Based Tax Incentives Safe Harbour adoption — decides the R&D credit's **GloBE** treatment
- Whether the UAE will ever legislate an IIR / UTPR — the HQ-competitiveness question
- FDL 17/2025 in practice: 15-year **audit** reach where evasion is suspected; hard 5-year refund window

E-INVOICING

- Phase-2 data dictionary detail — and any TP / related-party flagging fields
- B2C timing ('excluded until further notice') and treatment of remaining carve-outs
- Interaction protocols between e-invoice data and CT/TP **audit** selection

Positions taken today are taken against a moving frame — re-validate every item on this slide at each filing milestone, and log the version of guidance relied upon in the file.

PART 07

The technology answer and the 30 September guardrails

The authority has already moved — integrate the workflow, then close the cycle right

E-invoicing × TP

AI-integrated workflow

Technology's own tests

Ten guardrails

The compliance stack

E-invoicing × TP — real-time visibility changes the game

Continuous data-matching	Near-real-time related-party invoice flows give the **FTA** a live dataset to triangulate against the TPDF, CT return, audited FS and **Local File**. Discrepancies between disclosed RPT values and actual invoice flows will auto-flag TP audits.
Invoice narrative = TP narrative	Line descriptions, counterparties and values must match the intercompany agreements and **Local File** characterisation. A 'management fee' invoice with no underlying agreement or benefit evidence is a timestamped admission.
Year-end true-ups exposed	Compensating adjustments must flow through structured credit/debit notes — timing, size and direction become permanently visible. Quarterly monitoring versus one large Q4 swing becomes a risk-rating factor.
VAT × CT × Customs triangulation	One dataset now serves three valuation tests: **Art. 34 arm's length**, VAT open-market-value rules for related parties, and customs value. Inconsistent values across the three regimes are the easiest **audit** win available.
Contemporaneity becomes provable	E-invoices create an immutable timeline. Retrospective repapering — already rejected by the **FTA** — becomes technically impossible. TP policies must be set, agreed and invoiced correctly in-year.

*Timeline: pilot + voluntary phase live **1 Jul 2026** · ASP appointment (≥ **AED 50m** revenue) by **30 Oct 2026** · mandatory B2B/B2G go-live 1 Jan 2027 · all others 1 Jul 2027. Peppol 5-corner DCTCE, PINT-AE standard. Sources: MD 243 & 244/2025 (28 Sep 2025); CD 106/2025 penalties; MoF E-invoicing Guidelines v1.1 (1 Jun 2026) — mof.gov.ae.*

The AI-integrated TP workflow — one sequence from data to defence

STAGE 1
Data fabric

Ledger, invoices, agreements, payroll and e-invoice flows ingested into one governed dataset — the same records the **FTA** will read.

STAGE 2
Delineation & FAR

Functional analysis structured from conduct evidence — interviews, decision logs, org data — mapped to OECD Ch. I accurate delineation.

STAGE 3
Benchmarking

Comparables screened on recognised databases with documented accept/reject reasons per company; **IQR** positions refreshed annually, contemporaneously.

STAGE 4
Documentation

Local File, **Master File** and CP files generated from the delineated facts — jurisdiction rules encoded, every figure traceable to source.

STAGE 5
Disclosure & reconciliation

TPDF drafted from the same dataset; the seven-layer chain reconciled automatically before filing — gaps surfaced while they can be fixed.

STAGE 6
Audit & controversy response

Notice ingestion, issue mapping, evidence retrieval and draft responses inside the 30-day production window — assembled, not reconstructed.

The strategic logic: the FTA reads all seven layers together, continuously — the practitioner's workflow must produce them from one dataset, continuously. AI does the assembly; the professional owns delineation, judgement and sign-off.

Technology has its own failure modes — control them before you trust it

Grounded citations, or nothing

Every generated statement must trace to a fetched, verifiable source — a business description citing a website never actually retrieved is a defect, not a draft. Citation-grounding gates belong in the pipeline.

Evidence integrity & reproducibility

Accept/reject rationales must consume verified evidence, and the same inputs must reproduce the same outputs — pinned evidence bundles and deterministic re-runs, so the study survives re-performance before a reviewer.

Contemporaneity, not reconstruction

AI can generate a plausible file after the notice arrives — that is faster reconstruction, not **documentation**. The value is only real when the workflow runs in-year, timestamped against the e-invoice rail.

Professional judgement & sign-off

Delineation calls, method selection, tested-party choices and the final opinion remain the practitioner's. AI output is a draft until a qualified professional has tested it — the signing responsibility never transfers.

The differentiator is not the model — it is the control framework around it. Adopt AI the way you would onboard a bright junior: supervised, evidenced, and never signing alone.

THE SBC ANSWER

One integrated practice — advisory depth, delivered through the workflow

TP documentation & benchmarking

Local File · **Master File** · CbCR · annual **IQR** studies on recognised databases, with per-comparable accept/reject records.

TP Doc Gen AI

SBC's agentic **documentation** and **benchmarking** platform — jurisdiction rules encoded, citation-grounded outputs, professional sign-off built into the release gate.

APA & controversy

Pre-filing to signing; **audit** defence inside the 30-day window; voluntary-disclosure strategy under the **CD 129/2025** economics.

Pillar Two & QFZP advisory

GloBE ETR modelling, TCSH and safe-harbour positions, **QFZP** defence files — TP outcomes tested against the **15%** floor.

TPDF automation & reconciliation

The seven-layer chain reconciled before filing — TPDF, CT return, **Local File**, FS and counterparty positions from one dataset.

E-invoicing × TP protocol

Intercompany invoicing and true-up protocol redesigned with the ASP onboarding — invoice narrative aligned to the TP narrative from day one.

Built and validated in live engagement with tax administrations and practitioner teams across the UAE, India and Europe — applied under the control framework on the previous slide.

Ten guardrails to implement before the FY 2025 return is filed

1 TPDF dry-run & completeness sign-off

Reconcile RPT values to GL, audited FS and invoice data; tie the ownership register and FS related-party note to the TPDF — signed off before filing.

2 Contemporaneous Local File — now

Finalise FY-2025 **documentation** with the annual **benchmarking** refresh today; the 30-day window is for production, not preparation.

3 Classification memo under CTP010

Refresh the RP/CP register, reassess directors and officers, resolve dual RP/CP status in writing — one rationale, applied consistently.

4 Downward-adjustment evidence file

Any CTP011 adjustment carries the four sets — rationale, analysis, **reconciliation**, counterparty symmetry — assembled at filing, not after a notice.

5 CP remuneration files per person

Role-matched market evidence, wholly-and-exclusively support, and **reconciliation** to payroll and ledger for every material **Connected Person**.

6 Aged-balance testing protocol

Delineate, test conduct, measure the excess credit period and price the financing element — then run it through the interest-cap gates.

7 QFZP defence file & segmentation

Qualifying income, **substance**, de-minimis and ALP evidence assembled per period — **0%** status is the single largest value at risk.

8 Pre-audit VD sweep

Regularise open CT/TP positions before any **audit** notice — **CD 129/2025** makes waiting the expensive option; log the sweep itself.

9 APA candidacy screen

Map recurring **AED 100m**+ flows and initiate **pre-filing** consultations — the 12-month lead time means later coverage starts now.

10 E-invoicing × TP protocol & audit drill

Redesign the intercompany invoicing and true-up protocol with ASP onboarding; run a board-approved 30-day production drill.

Each guardrail is evidence-first: the artefact it produces (memo, file, reconciliation, drill log) is what the FTA reads — build the artefact, not just the habit.

The complete compliance stack — December-2025 year-ends

#	Compliance item	Deadline / standard	Legal basis
1	Corporate Tax return + TP Disclosure Form (reconciled to GL & audited FS)	**30 Sep 2026 (9 months from YE)**	FDL 47/2022; Art. 55
2	Local File + Master File — contemporaneous, FY-2025 facts	**Ready now; 30 days on FTA request**	MD 97/2023 as amended by MD 301/2025
3	Annual benchmarking update — comparables & financials refreshed; IQR position in Local File	**Every year, before return filing**	CTGTP1; OECD TPG Ch. III
4	CbCR filing + notification (UAE-parented ≥ AED 3.15bn); secure 'qualified' status for TCSH	**31 Dec 2026 (12 months from YE)**	CbCR regulations; GloBE TCSH
5	Connected Persons file — market-value substantiation for owner/director payments	**Contemporaneous**	Art. 36, FDL 47/2022; CTP010
6	QFZP defence file — qualifying income, substance, de-minimis, ALP on all RPTs	**Continuous; per tax period**	CD 100/2023; Art. 34
7	DMTT: EmaraTax Pillar Two registration + IAS 12 disclosures + GloBE data capture	**Registration now; ongoing**	CD 142/2024; MD 96/2026
8	GIR + Top-up Tax Return & payment (first cycle)	**30 Jun 2027 (18-month transitional)**	CD 142/2024
9	Pre-audit voluntary disclosure sweep of open CT/TP positions	**Immediate — economics invert post-notice**	CD 129/2025; FDL 17/2025
10	Interest-cap workings — SIDLR reporting and GIDLR carry-forward schedule	**With the return**	Arts. 30–31; MD 126/2023; CTGIDL1
11	E-invoicing: impact assessment + ASP appointment (≥ AED 50m) + intercompany protocol	**ASP by 30 Oct 2026; live 1 Jan 2027**	MD 243 & 244/2025; CD 106/2025
12	Record retention — TP documentation and supporting records	**7 years**	Art. 55; Tax Procedures Law

Primary sources: decree-laws, Cabinet and Ministerial Decisions at tax.gov.ae/en/legislation · FTA guides & public clarifications (Corporate Tax → Guides) · Pillar Two & e-invoicing instruments at mof.gov.ae.

Three priorities before the next Corporate Tax Return — 30 September 2026

1 Classify correctly

- **Refresh the RP and CP register**
- Reassess directors and officers under **CTP010**
- **Resolve dual RP/CP status — RP prevails**
- Identify every reportable transaction and balance

2 Reconcile every layer

- **Agreement to conduct; invoice to ledger**
- Ledger to statements; movements to closing balance
- **Counterparty symmetry — mirrored records**
- TP result to TPDF, CT Return and **Free Zone** schedules

3 Substantiate before filing

- Update the FAR analysis; confirm method and **tested party**
- Test aged balances; support CP remuneration
- Document CTP011 adjustments; sweep open positions pre-audit
- Evaluate APA suitability; stand up the in-year workflow

The next phase of UAE transfer pricing will be determined less by whether a benchmarking study exists — and more by whether classification, conduct, records, disclosure, return and analysis tell the same story. The return should be the final output of the TP control process — not the point at which the process begins.

LOCAL CONNECT. GLOBAL OUTLOOK.

Thank you

Questions & discussion

Specific fact patterns — dual RP/CP classifications, planned **downward adjustments**, aged-balance exposure, **Free Zone** pricing models, **APA** suitability and workflow integration — continued one-to-one after the session.