



Navigating Transfer Pricing – Implementation, Practical Challenges and Strategies

Contents

1. TP References & TP Rules
2. Transactions Covered UAE TP Regulations
3. UAE TP Compliance requirements
4. TP Guide Key highlights
5. TP Life Cycle
6. Need for TP Benchmarking and Benchmarking Steps
7. Types of related parties and related party transactions
8. Connected persons
9. Transfer Pricing Methods
10. Functionality Profiles
11. Transfer Pricing Implications on:
 - a. Exempted Persons
 - b. Permanent Establishment
 - c. Free Zone
 - d. Small Business Relief
 - e. Business Restructuring
 - f. Tax Group
 - g. Transitional Provisions
12. Transfer Pricing Applicability on:
 - a. Intra group services
 - b. Financial transactions
 - c. Reimbursements
 - d. Intangibles
13. TP Adjustments & Corresponding adjustments
14. Expected clarifications
15. TP Action Points
16. TP Databases



On 9 December 2022, the UAE Federal Tax Authority released Federal Decree-Law No. 47 of 2022. The following Articles of that Decree-Law form the UAE Transfer Pricing Regulations.

Article 34 – Arm's Length Principle

This article defines the arm's length standard where the results of the transaction between the related party and that of independent parties has to be similar.

Article 35 – Related parties and controls

This article defines related parties i.e., the analysis of different transactions performed with related parties is discussed further in detailed.

Article 36 – Payment to connected persons

This article delineates that the payments made to connected parties are deductible only if:

- Payment is incurred wholly for business purposes
- &
- Payment aligns with market value

Article 55 – TP Documentation

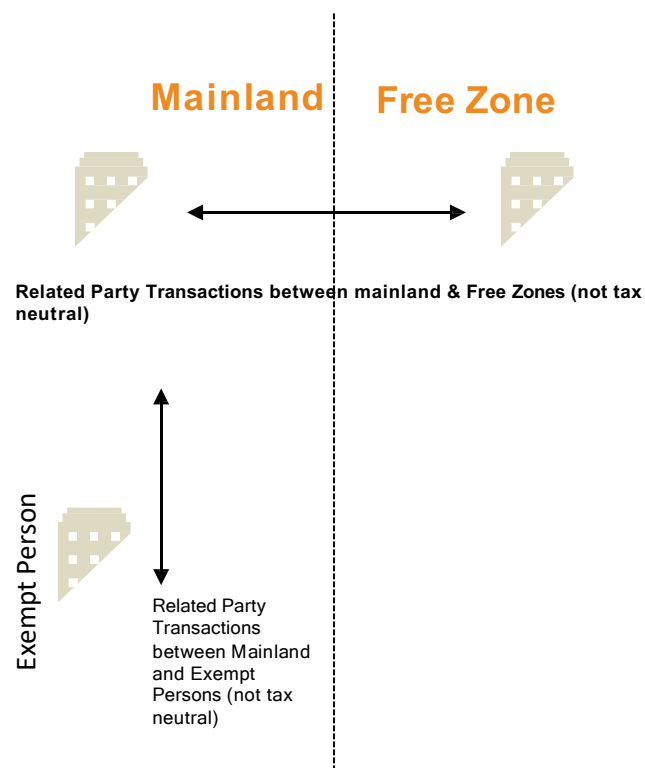
The taxable person needs to maintain (namely Local file, Master file) TP Documentation and file disclosure Form

Any information sought by Authority supporting the arm's length range needs to be submitted **within 30 days of request.**

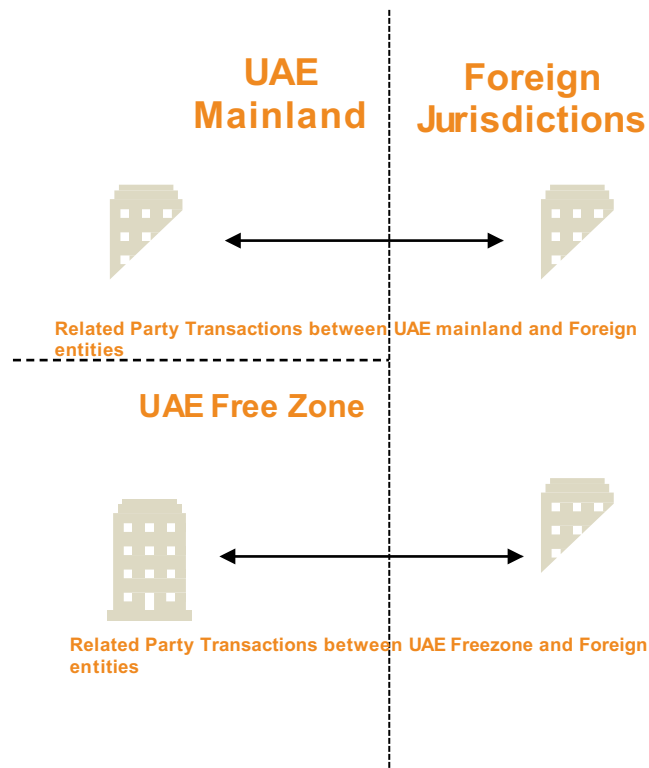
Transactions Covered UAE TP Regulations



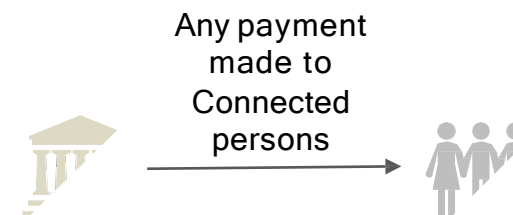
Domestic Transactions



International Transactions



Payment to Connected Persons



However, this shall not apply to persons:

1. whose shares are traded in stock exchange
2. who is subject to regulatory oversight.
3. determined by the cabinet

UAE TP Compliance Requirements – Article 55 of CT Law & MD 97



UAE 3 Tier Documentation TP Requirements along with Local Disclosure Form Filing

Transfer pricing documentation requirement		Maintain	File	Related Party Transaction	Connected Person Transaction
Disclosure Form			✓	✓	✓
BEPS Action 13	Local File	✓		✓	✓
	Master File	✓		✓	✓
	Country-by- Country Report (Introduced in 2019)			✓	

Thresholds for applicability and compliance timelines

TP Compliances	Disclosure Form	Local File and Master File	Country-by-Country Report
Threshold	Yet to announce/clarify	Standalone Revenue of AED 200 Million OR Constituent entity of the Group Revenue of AED 3.15 Billion	AED 3.15 Billion
Timeline	Disclosure form is to be uploaded along with the Tax Return	To be submitted within 30 days from the date of request	<ul style="list-style-type: none"> CbCR notification to be filed before end of the financial year CbC Report to be filed within 12 months from the end of the financial year

Note : If **all entities** within the group are **located within UAE**, the **master file** requirement is **not applicable, regardless** of the **AED 200 million threshold**.

Threshold - Independent Compliance



Under Article 55(4) of the UAE Corporate Tax Law, the FTA may request certain information from Taxable Persons who 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,

¹⁷ See further in Ministerial Decision No. 97 of 2023.
Corporate Tax Guide | Transfer Pricing | CTGTP1

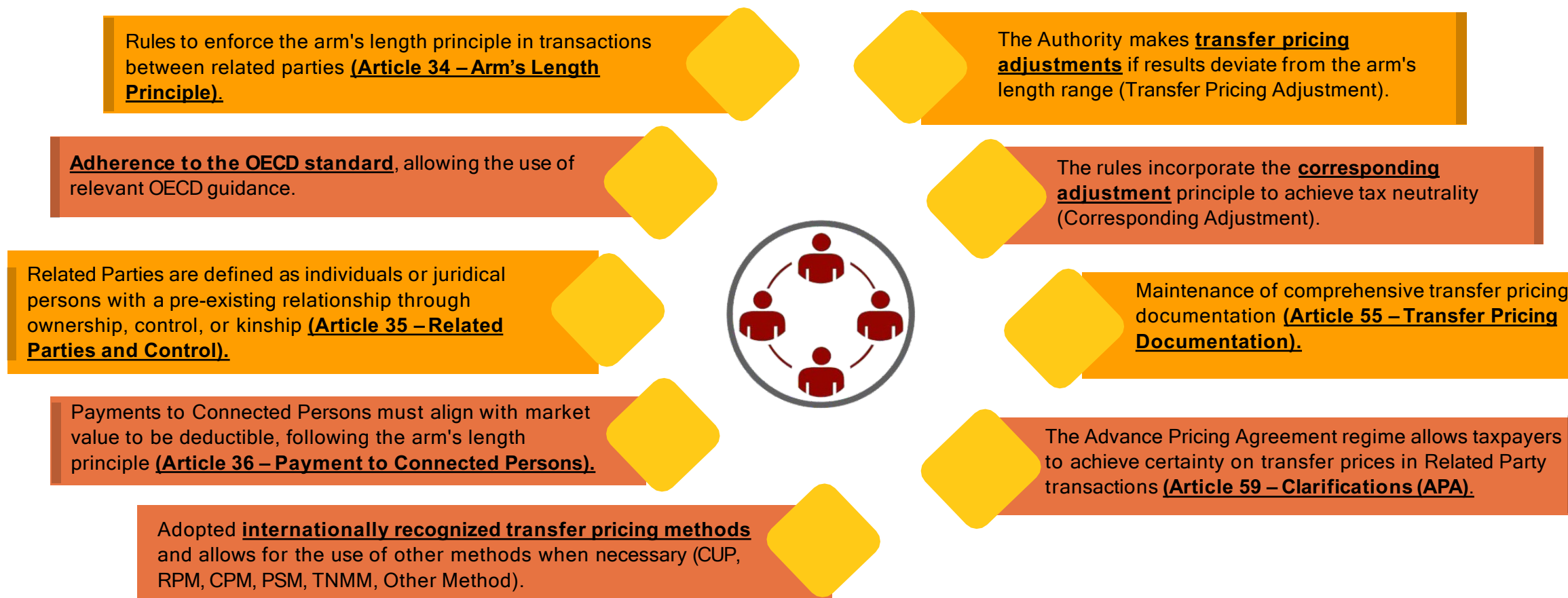
79



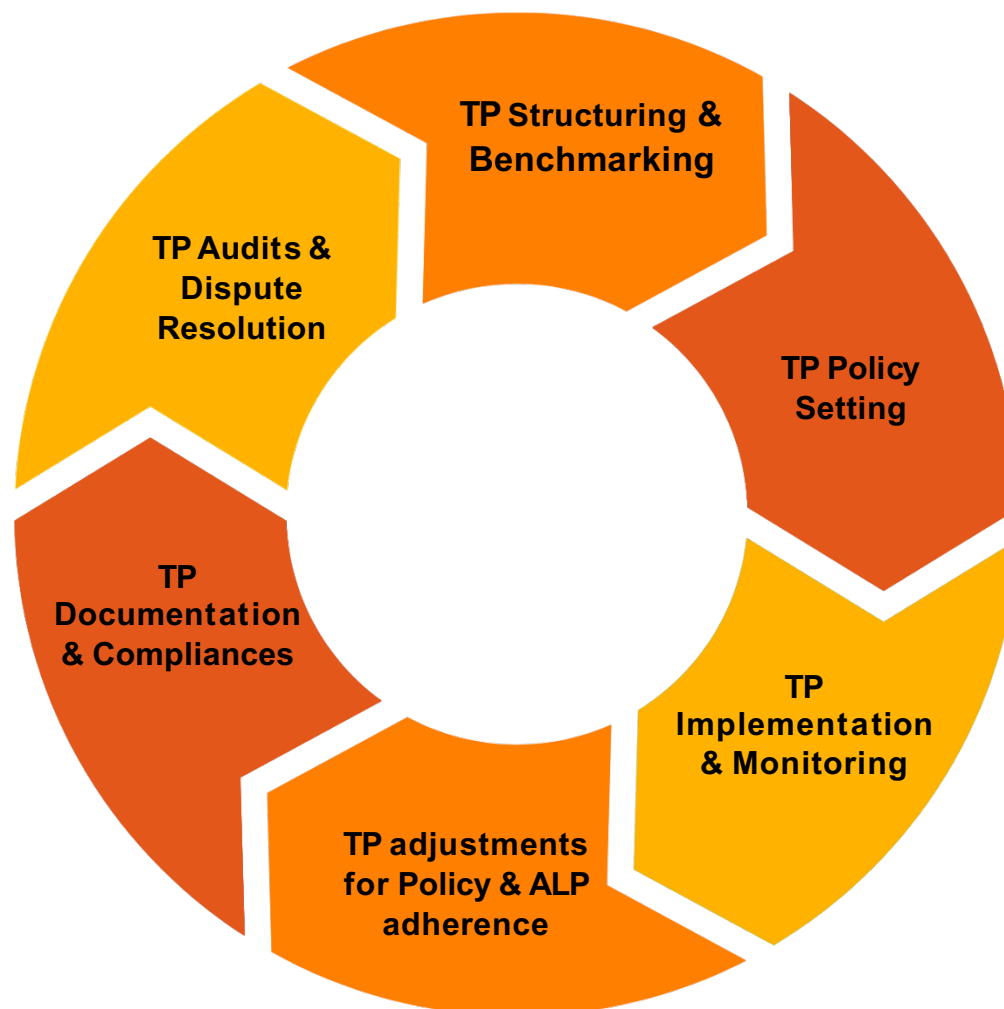
- any other information that the FTA deems necessary to assess the arm's length nature of the transaction, and
- information used for application of the chosen method. Such additional documentation may include (but is not limited to) documentation supporting arm's length analysis of the Controlled Transaction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

Page 79 of TP Guide

In alignment with the insights gleaned from the TP guide excerpts above, it is crucial to bring attention to the fact that taxpayers exempt from filing both local and master files are expected to submit any pertinent supporting documentation irrespective of the threshold upon request.



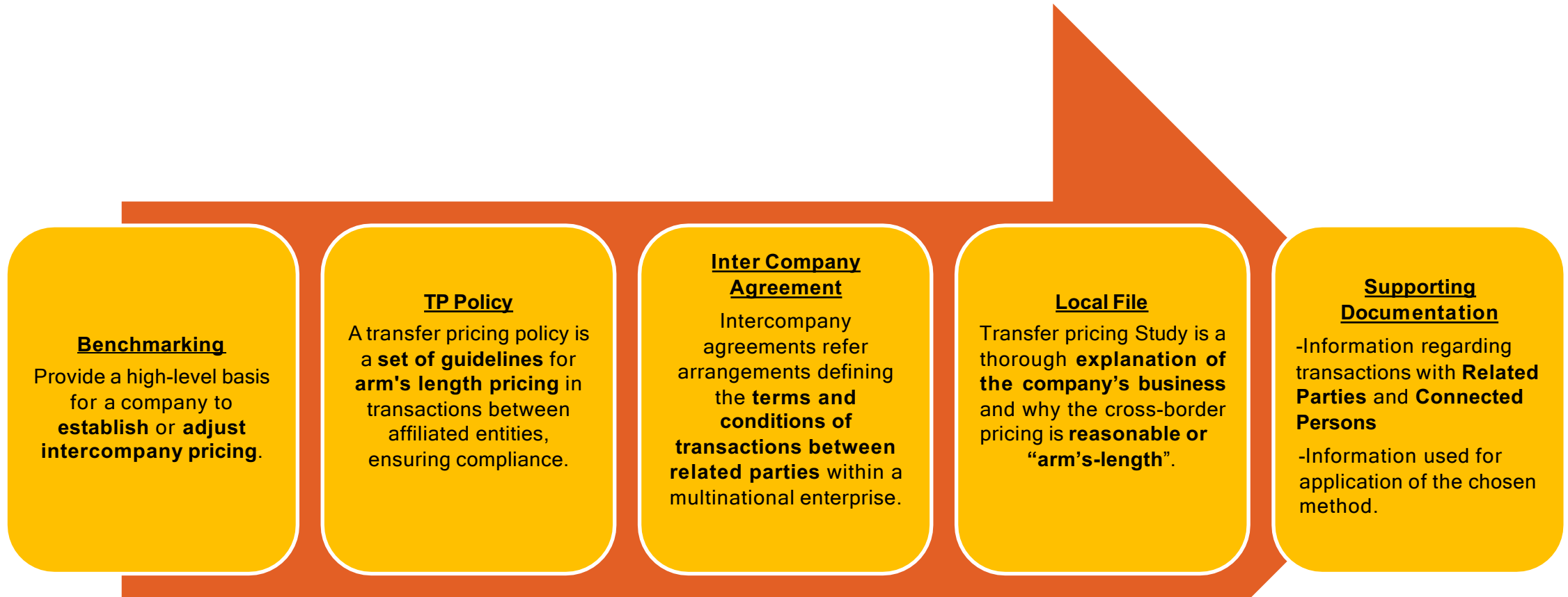
Transfer Pricing Life Cycle (1/3)



Transfer Pricing Life Cycle (2/3)



Particulars	Documentation	Benchmarking
Purpose	<ul style="list-style-type: none"> TP Documentation provides detailed information about specific intercompany transactions in a particular jurisdiction. It aims to demonstrate to tax authorities that the prices or margins applied to these transactions are consistent with the ALP. 	<ul style="list-style-type: none"> Provide a high-level basis for a company to establish or adjust intercompany pricing. Justify pricing with related parties by reference to profitability margins earned by companies with broadly similar activities
Content	<ul style="list-style-type: none"> Company overview Industry overview Detailed functional analysis of the entities involved in the intercompany transactions. Financial information related to the specific intercompany transactions. Economic Analysis 	<ul style="list-style-type: none"> Identification of comparable companies or transactions. Collection of financial and economic data of comparables. Analysis of the data to determine an arm's length range for the prices or profit margins. Explanation of any adjustments made to align comparables with the tested transactions.
Compliance	<ul style="list-style-type: none"> TP Documentation is crucial for demonstrating compliance with local transfer pricing regulations. It helps tax authorities understand the economic substance of the transactions occurring within their jurisdiction. 	<ul style="list-style-type: none"> The Benchmarking Report is essential for justifying the pricing of specific intercompany transactions.



Need for TP Benchmarking



Tax Compliance Requirement: Companies are obligated to comply with Article 34, which necessitates that **transactions with Related Parties meet the arm's length standard** for determining taxable income.



Arm's Length Standard: This standard implies that transactions should produce results consistent with what unrelated parties would achieve in similar circumstances/same industry in open market.



Transfer Pricing Methods: To determine arm's length prices, companies utilize various transfer pricing methods, such as **CUP, RPM, CPM, TNMM, and PSM.**



External Comparable Data: Methods like CUP, RPM, CPM, and TNMM depend on external data for comparable pricing. Even if internal data exists, tax authorities may **view it as unreliable or biased** for transfer pricing compliance.]



Data Sources: To find potential comparables, companies explore various sources, including **TP databases, internal data, and other publicly available information.**



TP Databases: TP databases (TP Catalyst, S&P Capital IQ, RoyaltyStat & Loan Connector) compile publicly available company data in an accessible format, making them a **practical and cost-effective source** of external comparables.

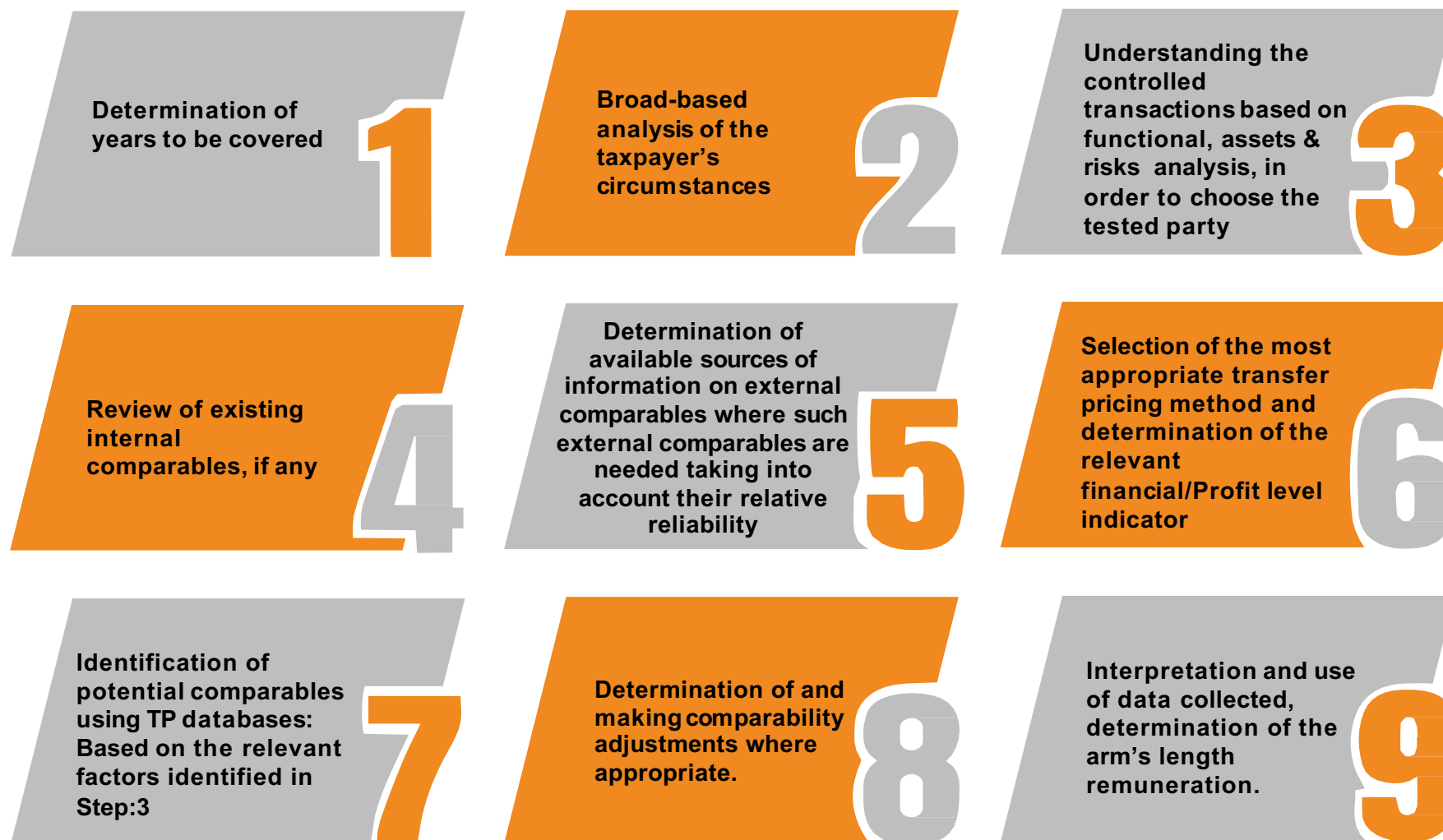


Geographic Expansion: In cases where financial data in a particular region, such as the UAE, is **limited**, companies may need to **broaden their search to other regions**



Lack of Authorized Databases: It is worth noting that there is **no government database containing such financial information.**

TP Benchmarking Steps



Related Parties for UAE TP Purposes - Article 35 of CT Law

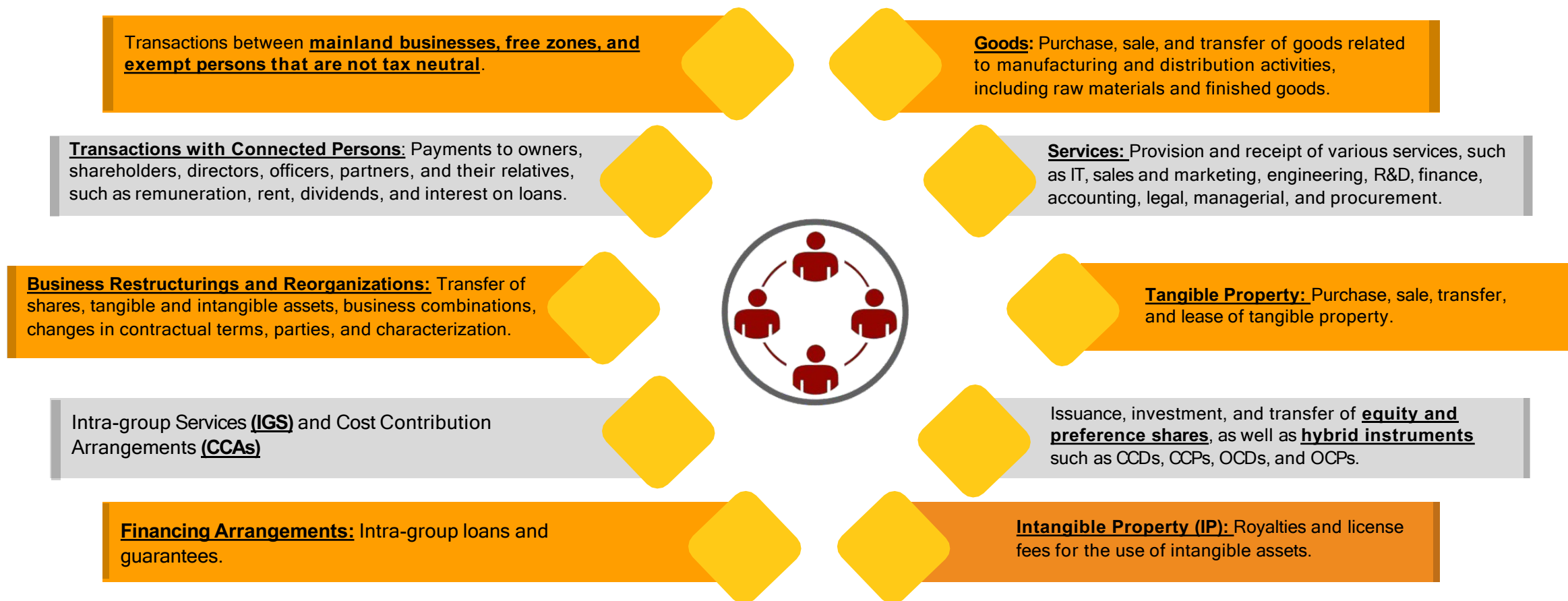


A related party is an individual or entity who has a pre-existing relationship with a business that is within the scope of the UAE CT regime through **Ownership, Control** or **Kinship** (in the case of natural persons).

Related Parties for UAE CT & TP purposes

Ownership / Control	An individual and a legal entity where alone, or together with a related party, the individual directly or indirectly owns a 50% or greater share in, or controls, the legal entity
	Two or more legal entities where one legal entity alone, or together with a related party, directly or indirectly owns a 50% or greater share in, or controls, the other legal entity
	Two or more legal entities if a taxpayer alone, or with a related party, directly or indirectly owns a 50% share of each or controls them
Branch / PE	A taxpayer and its branch or permanent establishment
Partnership	Partners in the same unincorporated partnership
Exempt/ Non-exempt business activities	Exempt and non-exempt business activities of the same person
Kinship (natural persons)	Two or more individuals related to the fourth degree of kinship or affiliation , including by birth, marriage, adoption or guardianship

Types of Related Party Transactions



Connected Person Payments (1/2)

Article 36(1) – Connected Person Payments

A **Taxable Person** can deduct payments given to their Connected Person if they align with the Market Value and are incurred solely for business purposes.

Types of Connected Person Payments?

Remuneration/
salaries/ consulting
fees

Interest expenses
on Shareholder/
Director/KMP Loan

Rental Payments
on Leased office
premises

Who are Connected Persons (CP) ?

As per **Article 36(2)** of the **CT Law**, connected persons includes:

An individual who has
an ownership interest
in, or controls, the
taxable person.

A director or officer
of the taxable
person

An individual related
to the owner,
director, or officer of
taxable person to
fourth degree of
kinship..

A Related Party of any
of the above.

Reference of Article 55

As per Article 55 of the CT Law, at the Authority's request, a Taxable Person must provide supporting information within 30 days from request (or as directed) to demonstrate that their payments to Connected Persons are conducted at arm's length.

Why is it required to adhere to the arm's length principle?

TP RULES

UAE implements rules for payments or benefits to connected persons, requiring demonstration of market value alignment and business purposes for deductions.

ARMS LENGTH

Transfer pricing (TP) rules aim to prevent improper practices, ensuring fair and market-based transactions with connected persons to maintain tax system integrity and prevent profit shifting.

IMPROPER INCOME

The lack of individual taxation raises concerns about the potential for tax evasion in the income of connected persons linked to taxable businesses.

Connected Person Payments (2/2)



Benchmarking & Analysis Steps

Aggregation

Assess whether payments to connected persons align with those of comparable independent entities, ensuring overall profitability and financial performance are evaluated from a consolidated perspective.

Segregation

Payments made by the companies to its CP are compared with the payments made by the comparable companies.

Trend Analysis

Required to compare the data of comparable companies over the past 3-5 years to assess relative performance.

Need Benefit

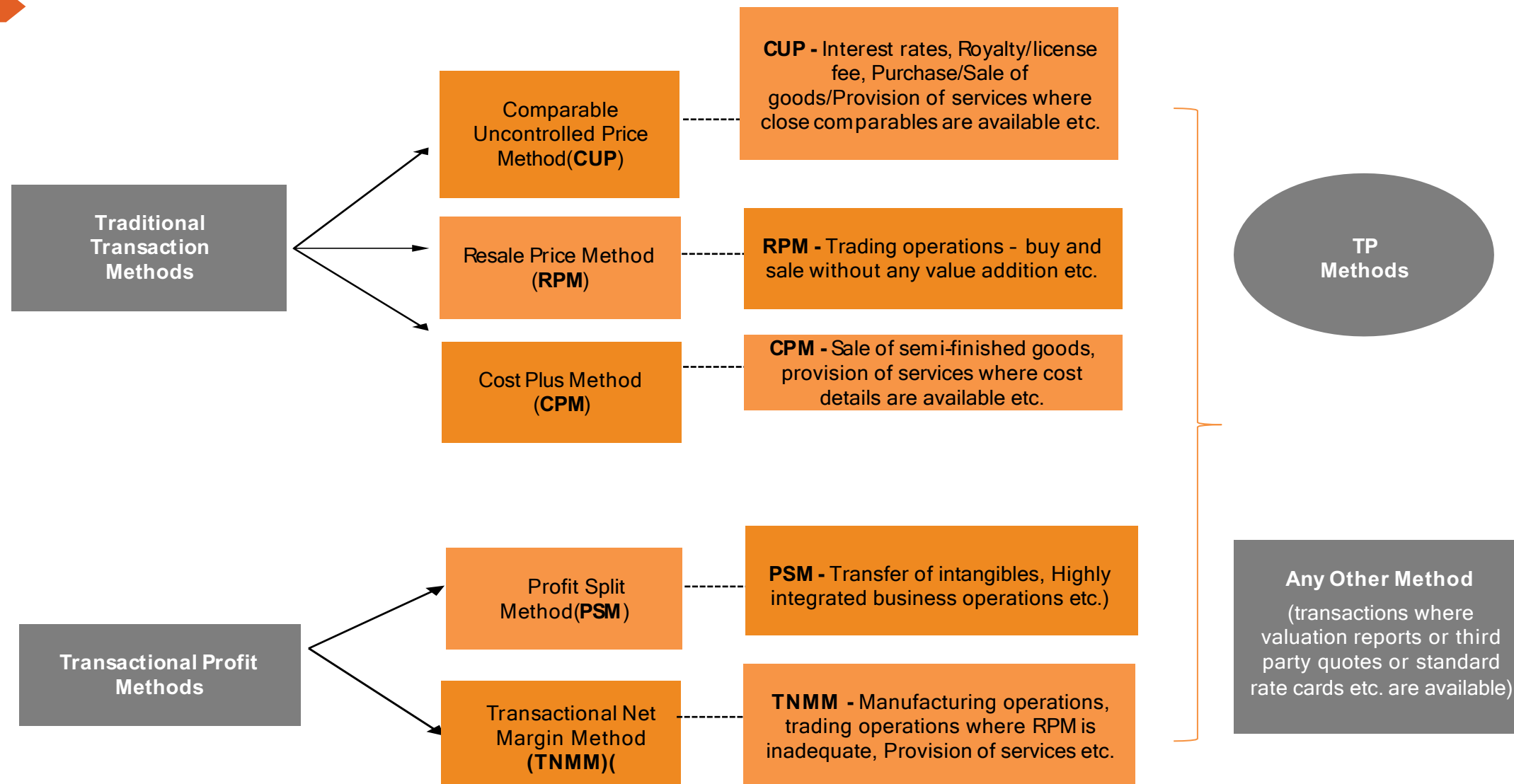
Confirming the actual need of the company in relation to the services provided by the Connected Person

Note: As per UAE Federal Law on commercial companies, remuneration of the board members must **not exceed 10% of the net profits** of the fiscal year after deducting all the depreciations and reserves in case of **joint stock companies**. As per internationally accepted guidelines, the aggregate amount of remuneration should ideally be in the range of **10 – 15% of the net profits**.

To ensure compliance with corporate tax and transfer pricing regulations, businesses should:

- **Document** the scope, roles, and responsibilities in the company's management.
- **Assess** the value they add to the entity's top and bottom lines.
- **Evaluate** the qualifications and experiences of Connected Persons.
- **Prepare** necessary documentation justifying payments to Connected Persons.
- **Analyze** entity profitability and compare net margins with industry benchmarks.
- **Review** and substantiate market value criteria for payments.
- **Prepare** contracts/policies between the entity and CPs for compliance readiness.

Transfer Pricing Methods – Article 34 of CT Law

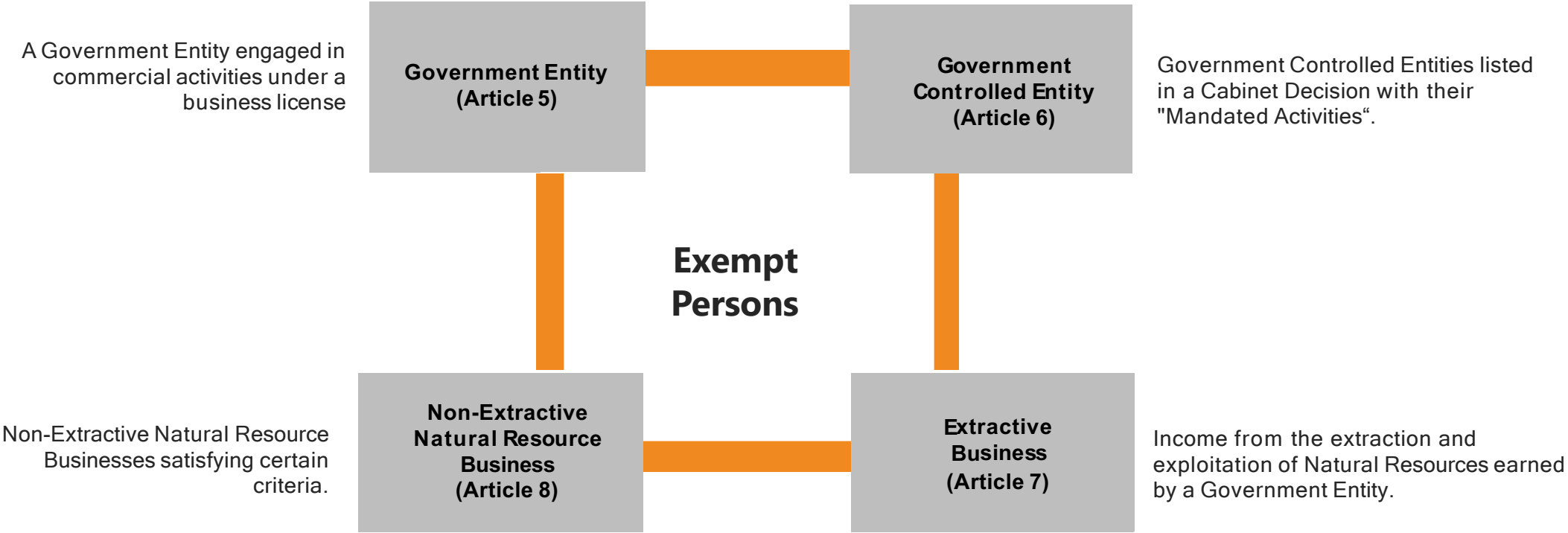




	Limited Risk	Fully Fledged
Manufacturer	Toll Manufacturer: <ul style="list-style-type: none"> • Manufacturing services without taking title to raw materials or final products • No Inventory or selling risks • Limited Quality control or logistics management • No significant Intangibles 	Fully Fledged Manufacturer: <ul style="list-style-type: none"> • Performs all important manufacturing functions • Engages in production planning, sourcing, and procuring inputs, R&D activities design and engineering, quality control and logistics • Assumes market risk, inventory risk, R&D risk, product Liability risk, and other risks • Earns residual profits
Distributor	Agent: <ul style="list-style-type: none"> • Acts as a sales representative, received commission on sales. • Facilitates sales but principal concludes contract • Minimal risks since no title to the products Limited Risk Distributor: <ul style="list-style-type: none"> • Buys goods and markets them to customers • Risks relating to inventory and debtors are limited 	Fully Fledged Distributor: <ul style="list-style-type: none"> • Undertakes all of the sales and distribution function • Bears all material risks relevant to these functions • Buys, holds and sells products, develops necessary intangibles. • Bears significant downside risks as well as receiving upside results of positive outcome of its activity • Often entitles to residual profits
Service Provider	<ul style="list-style-type: none"> • Provision of low value adding or supportive services • No significant assets or risks • Predetermined routine return. 	<ul style="list-style-type: none"> • Provision of high value adding or core services • Ownership of significant assets (e.g. Unique skills, Proprietary software, intangibles) • Assumption of substantial operational and financial risks • Potential for higher, non routine returns

TP Implications

Exempt Persons – Article 4 of CT Law

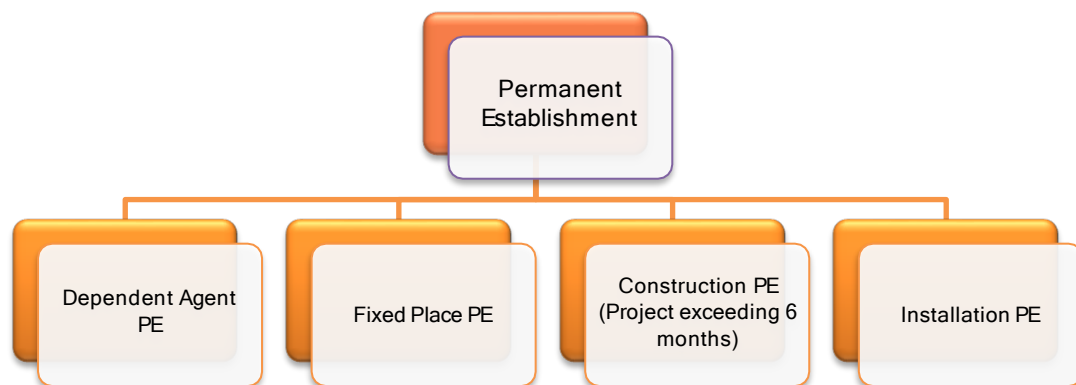


Transfer Pricing Consequences

Transactions between the exempted Business of the Government Entity/ Government Controlled Entity/ Extractive Business / Non-Extractive Natural Resource Business and its other activities will be treated as Related Party transactions subject to transfer pricing rules.

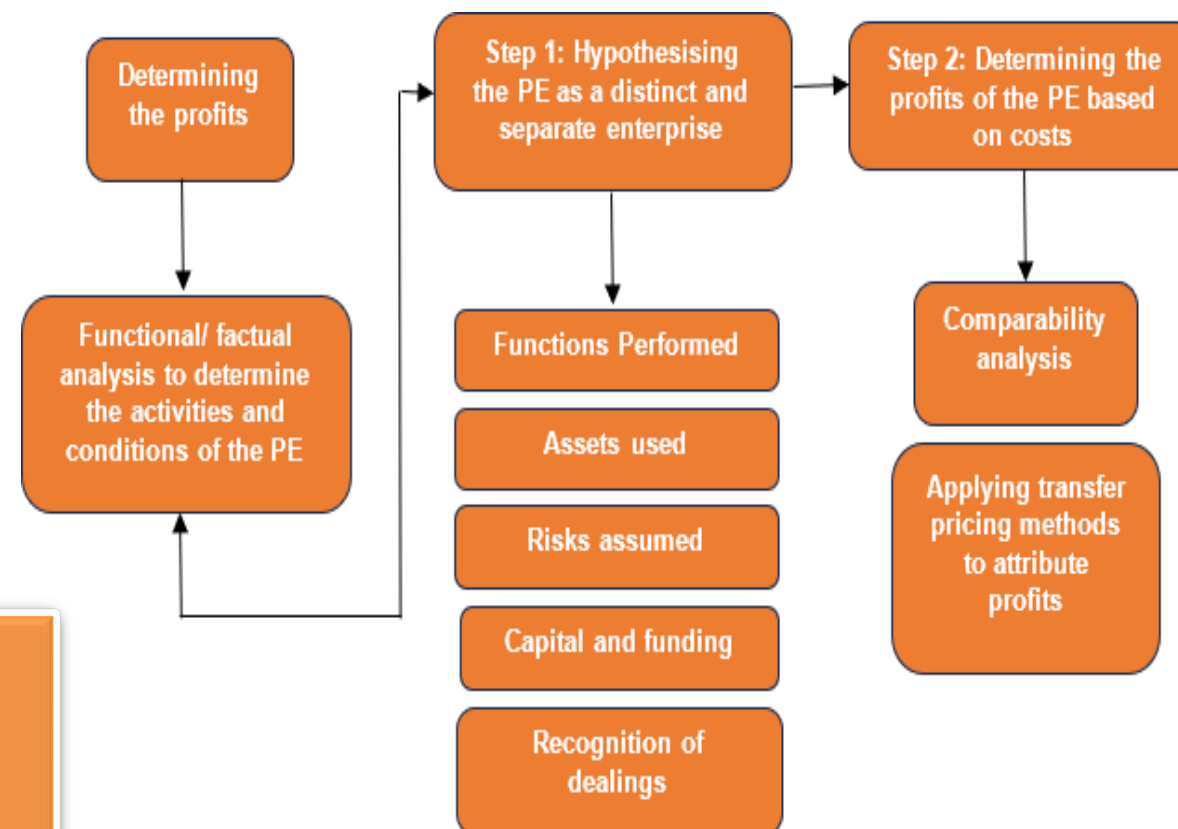


PE Profit Attribution steps (Arms Length Analysis) -



Following shall not be established as PE -

- **Merely storing**, displaying, or delivering physical goods
- Maintaining **stock** to be used by another person for processing
- Purchasing goods or collecting information related to goods
- Conducting any other activity which could qualify as preparatory or auxiliary in nature



Foreign Permanent Establishment – Article 24 of CT Law



A Resident Person can make an election to not take into account the income, and associated expenditure, of its Foreign PE in determining its Taxable Income.

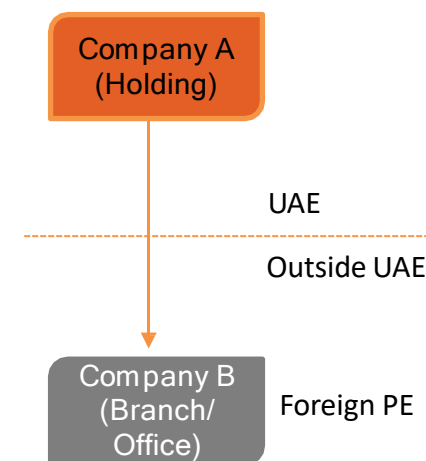
In such cases, a Resident Person shall not take losses, income and associated expenditure into account the following in determining its Taxable Income or Corporate Tax Payable for a Tax Period losses in any of its Foreign PE, calculated as if the relevant Foreign PE were a Resident Person under CT Law;

*In determining the income and associated expenditure of a Foreign Permanent Establishment, a Resident Person and each of its Foreign Permanent Establishments shall be treated as **separate and independent Persons**.*

Therefore, any transactions such as transfer of assets or liabilities between a Resident Person and its Foreign PE shall be treated as having taken place at Market Value at the date of the transfer.

In summary, if the option to exclude Foreign PE income and expenditure is elected, transactions between the resident person and its Foreign PE must adhere to arms-length principles, valuing assets or liabilities at market value during transfers

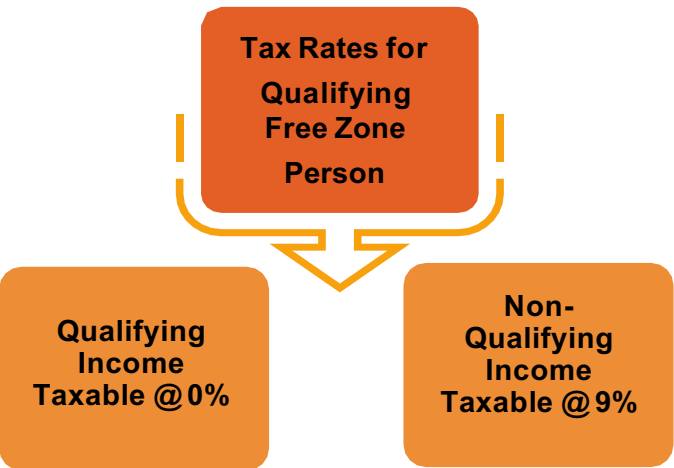
Foreign PE



*Article 35(1)(d) – Permanent Establishment and Foreign Permanent Establishment is a Related Party



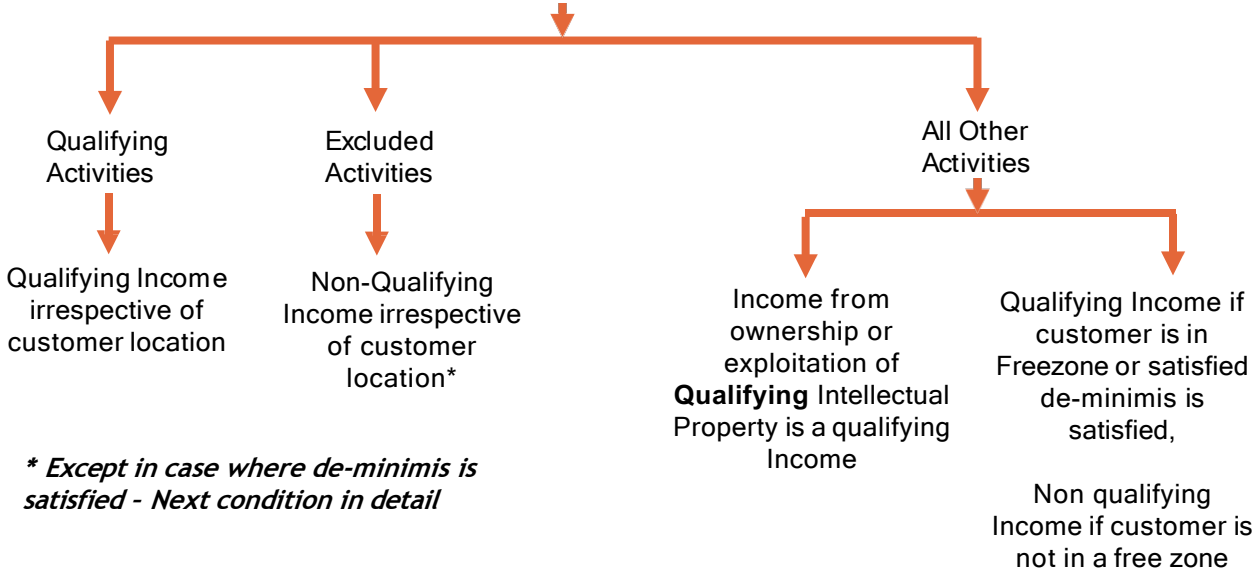
Tax Rates for Qualifying Free Zone Person (QFZPs)



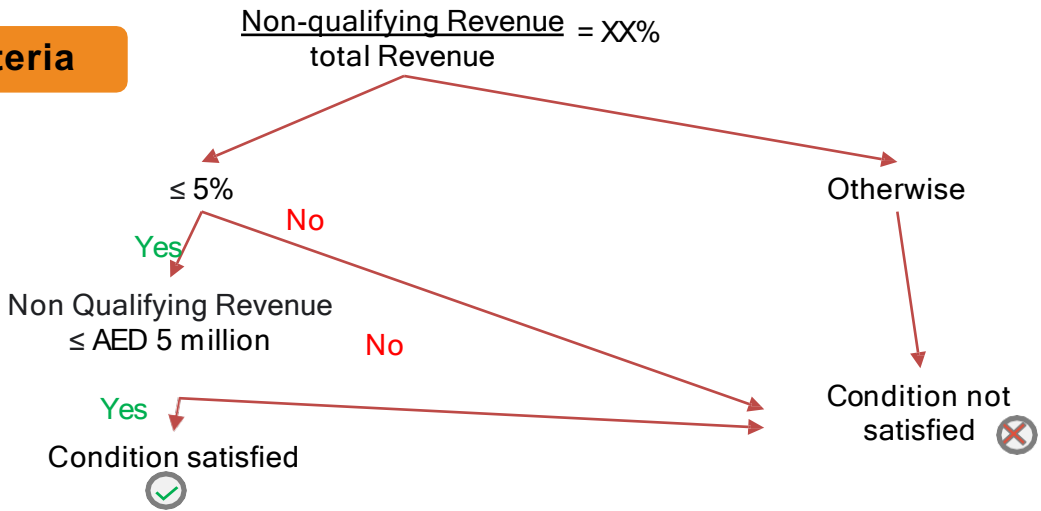
Conditions for QFZPs

- Complies with Arm's length Principle and Maintains TP Documentation
- Has not elected to be subject to Corporate Tax at the rate of 9%
- Maintaining adequate substance in Free zone Area
- Prepare & maintain Audited Financial Statements
- Derives Qualifying Income
- **De-minimis criteria**

QFZP Summary



De-minimis criteria





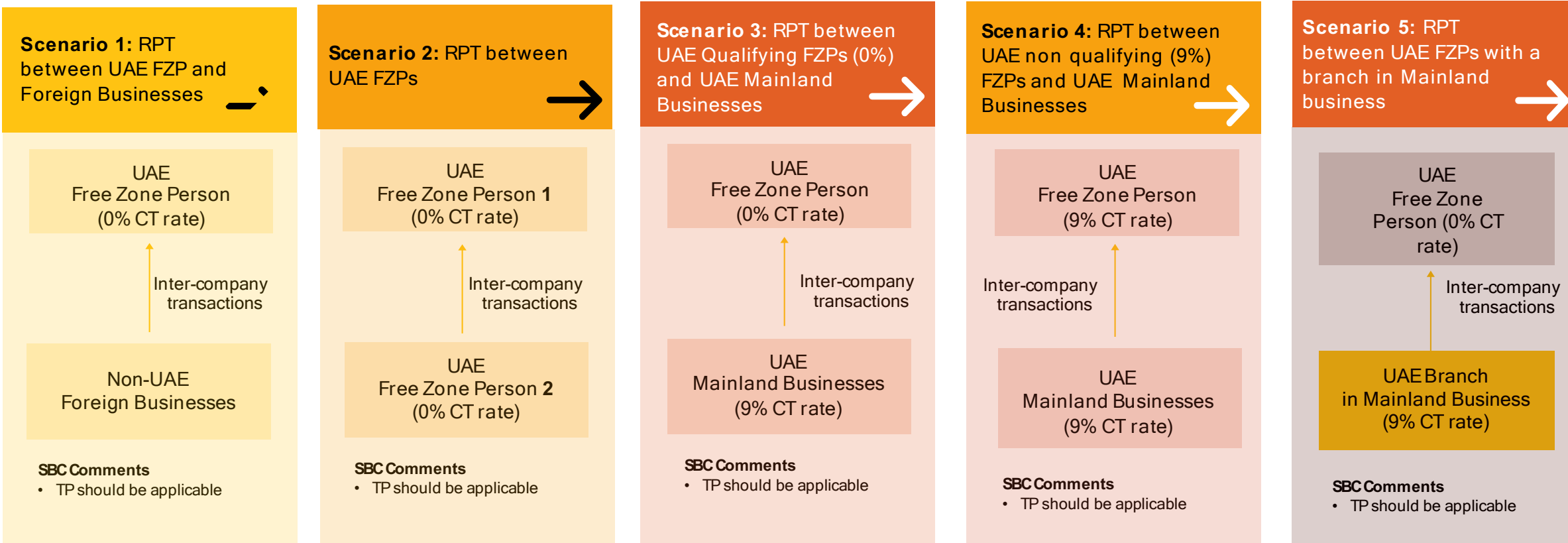
Qualifying Activities:

- Manufacturing of goods or materials
- Processing of goods or materials
- Trading of Qualifying Commodities
- Holding of shares and other securities for investment purposes (Share capital and other type of equitable interests that are entitled to receive profits and liquidation proceeds),
- Ownership, management and operation of Ships
- Reinsurance services
- Fund management services
- Wealth and investment management services
- Headquarter services to Related Parties.
- Treasury and financing services to Related Parties.
- Financing and leasing of Aircraft.
- Distribution of goods or materials in or from a DZ.
- Logistics services.

Excluded Activities

- Any transactions with natural persons, except:
 - Ownership, management and operation of Ships,
 - Fund management services,
 - Wealth and investment management services,
 - Financing and leasing of Aircrafts.
- Banking activities
- Insurance activities except reinsurance services, and headquarter services,
- Finance and leasing activities except treasury and aircraft financing,
- Ownership or exploitation of immovable property (other than Commercial Property located in a FZ where the transaction in respect of such Commercial Property is conducted with other FZPs.)

RPTs with Free Zones





Conditions for qualification as SBR

- Revenue of Relevant Tax Period and previous Tax Periods does not exceed **AED 3,000,000**.
- This relief shall be available for the Tax Periods beginning on or after 01 June 2023 and Tax Periods ending before or on 31 December 2026.
- The Revenue shall be determined in accordance with applicable International Financial Reporting Standards.
- Once the revenue threshold is breached in any of the Tax Periods, then the relief shall cease to be applied.

If the above conditions are satisfied, Taxable Person may elect to be treated as not having derived any Taxable Income.



SBR cannot be applied by a Resident Taxable Person which is part of a Multinational Entity or a Qualifying Freezone Person.

Below provisions are not applicable if Relief is opted:

- Exempt Income.
- Qualifying group relief (Transfer of loss/Restructuring).
- Deductions.
- Tax Loss relief.
- TP documentations are not required to be maintained.

Transfer Pricing Consequences

While small businesses are exempted from Transfer Pricing documentation requirements, they are still **expected to adhere to the arm's length standard** in determining their Taxable Income. The revenue threshold of **AED 3,000,000** establishes the eligibility criteria for small businesses to avail the relief. It is important to note that this revenue should also be **in line with the Arm's Length Principle if earned from Related Parties**.



- Restructuring usually involves changing an organizational set-up or business model. This requires proper documentation and might induce changes to the Transfer Pricing (TP) model, require compensation and/or trigger exit tax. Such TP and related implications must be assessed early in the process in order to avoid further complexities at a later stage.
- Key **TP considerations** for business restructurings



Reallocation of functions and profits

Assessing profits, compensation when reallocating functions, risks among group entities is crucial.



Transfer of assets and business activities

Business restructurings include transferring tangible/intangible assets and activities, requiring arm's length payments for associated enterprises and renegotiated commercial arrangements.



Termination of existing agreements

When agreements are terminated or renegotiated, it has to be assessed whether an indemnification needs to be paid to ensure arm's length conditions. Any change, renegotiation or termination of such contracts needs to be carried out under arm's length conditions.

Tax Group – Article 40 of CT Law & MD 125



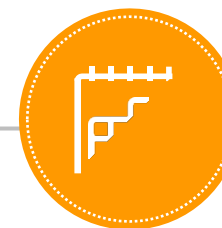
Juridical **Resident** Person



95% Ownership interest/Voting rights/Profit share (Directly/Indirectly through one or more Subsidiaries)



Neither Parent/Subsidiary is Exempt/Qualifying Freezone Person



Same Financial Year (Parent and Subsidiary)



Same Accounting Standard for preparing Financial Statements (Parent and Subsidiary)

Subject to meeting **all** the above conditions



Tax Group can be formed by filing an application to the UAE FTA and the UAE FTA may challenge the application.

Transfer Pricing implications within Tax Groups

- Transfer pricing regulations extend to both **intercompany** and **intra-company transactions** within a tax group.
- The application of transfer pricing within tax groups pertains to entities that are considered **juridical residents for tax purposes**.

Transitional Provisions – Article 61 of CT Law & MD 120



- Closing Balance sheet of 2023 will be Opening Balance sheet for CT.
- Opening Balance of the below items shall be according to Arm's Length Principle.



Computation of gain/loss arising on transitional adjustment -

Option 1: (Market Value at the start of 1st tax period) - higher of (Original Cost and Net Book Value)

Option 2: [(Sale proceeds at the time of disposal of asset) - higher of (Original Cost and Net Book Value)] X (Number of days the asset is owned before the first Tax period) / (Total number of days the asset is owned)

Option 3: (Market Value at start of 1st tax period) - Original Cost



Immovable Property
(Option 1 or 2)



Intangible Asset
(Option 2)



Financial Assets & Liabilities
(Option 3)

Transfer Pricing Implications in Opening Balance Sheet

Article 61(2) mandates the consideration of the arm's length principle under transfer pricing rules when preparing the opening balance sheet. This requirement aims to prevent non-arm's length transactions and arrangements prior to the introduction of Corporate Tax from impacting the calculation of Taxable Income.



Key matters to be addressed

- What are the provisions in case of **write-off** of assets ?
- **Retrospective or prospective effect** to be considered while analyzing the transactions ?
- Should **other balances** be taken into account, or should only trade balances be considered ?
- How will the other group entity in Global MNE Group consider changing their balance in their BS because of UAE transitional rules? Is there any **conflict with IFRS** ?
- How the **provisions apply to long o/s loans** ?

TP Applicability and Practical Issues



Intra-group services refer to the provision of various services within a multinational group of companies, often across different nations and jurisdictions, it involves:

Services by one member to other member or members of MNE group.

Services provided by group of members for the benefit of overall group.

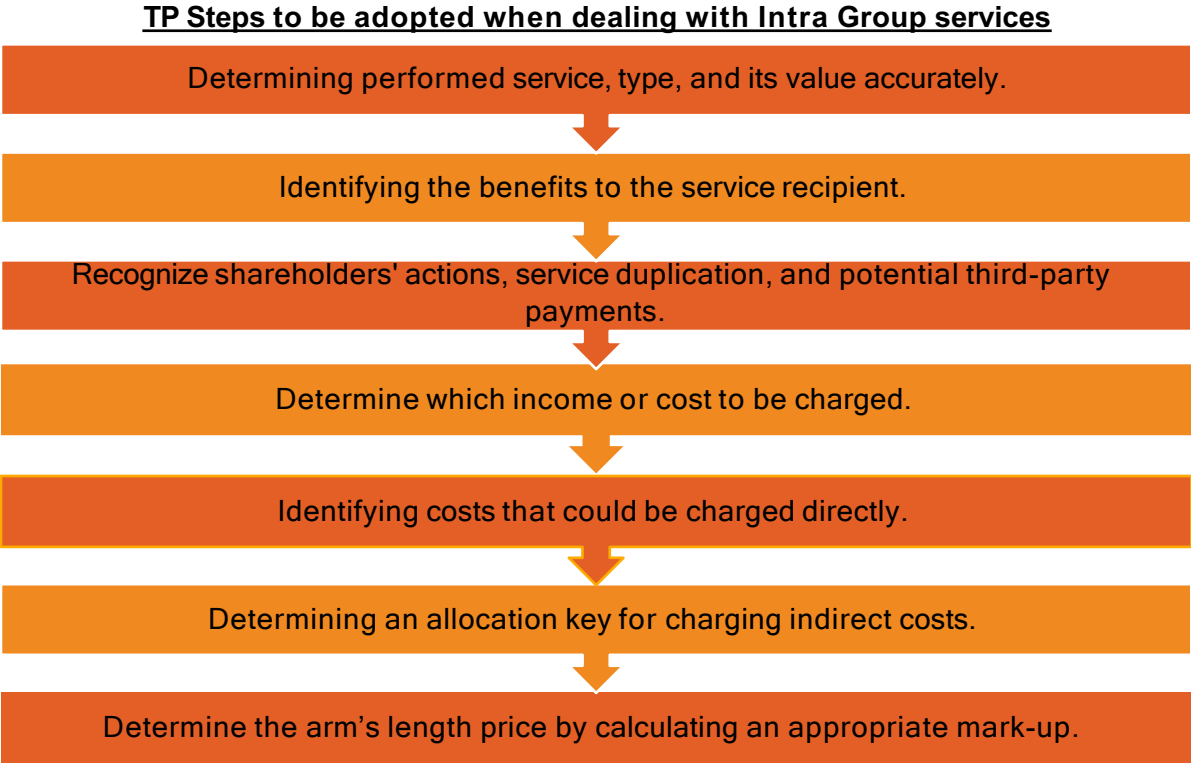
Service by parent company to member & group of members.

Most prevalent intra group services

- Strategic and managerial services
- Accounting and auditing service
- IT support services
- Engineering services
- Financial, legal and tax related services
- Administrative support services
- Laboratory, technical assistance, and manufacturing services
- HR support services
- Procurement & Assembly support services
- Laboratory, technical assistance, and manufacturing services

Excluded from Intra group services

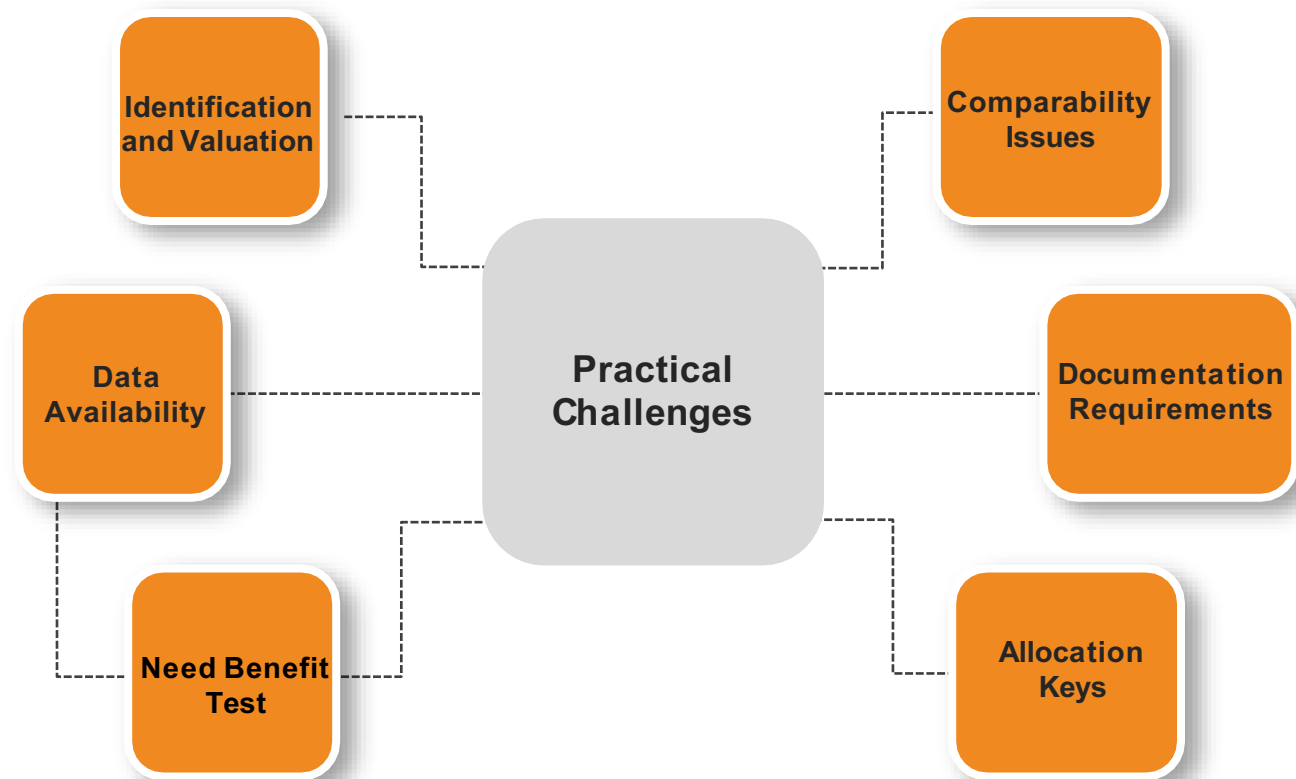
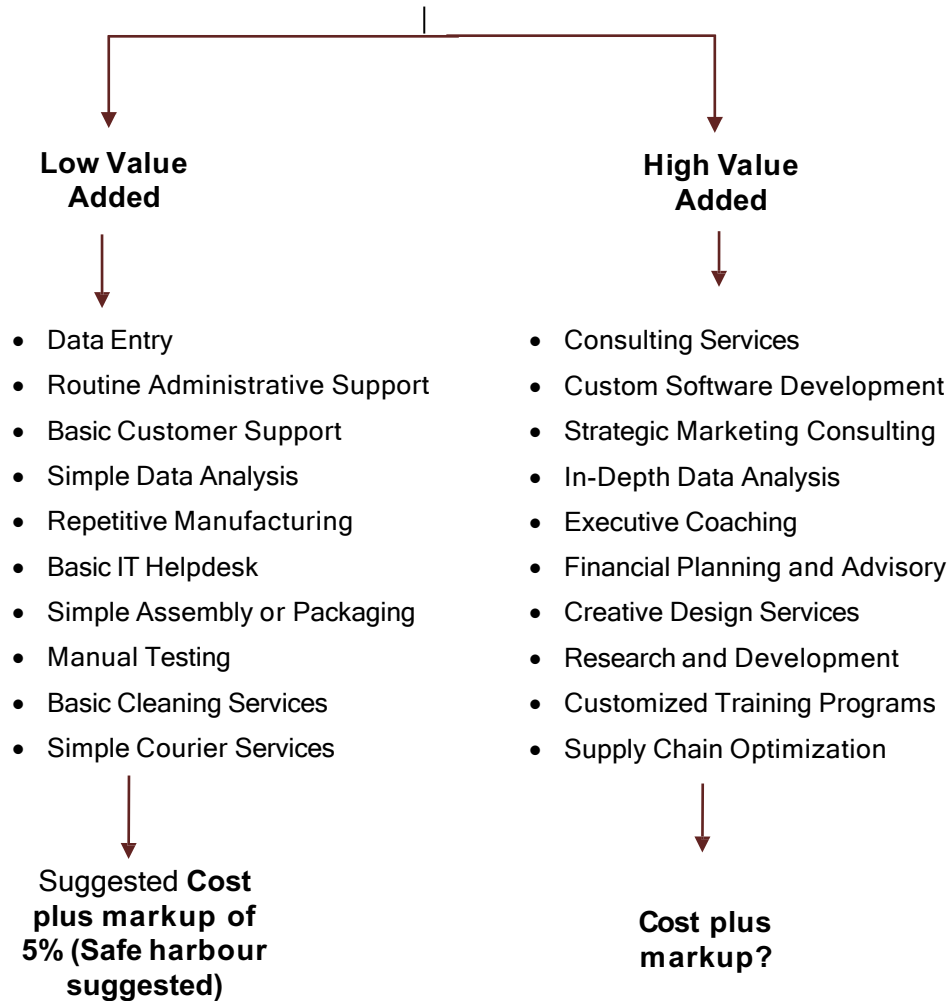
- Shareholder activities,
- Duplication
- Passive association
- Incidental benefit



Intra-Group Services (2/2)



Intragroup support where service element is involved





Below outlines the procedure for establishing the arm's length price for the following financial transactions, taking into account Transfer Pricing and the Arm's Length Principle.

Intra-group loans

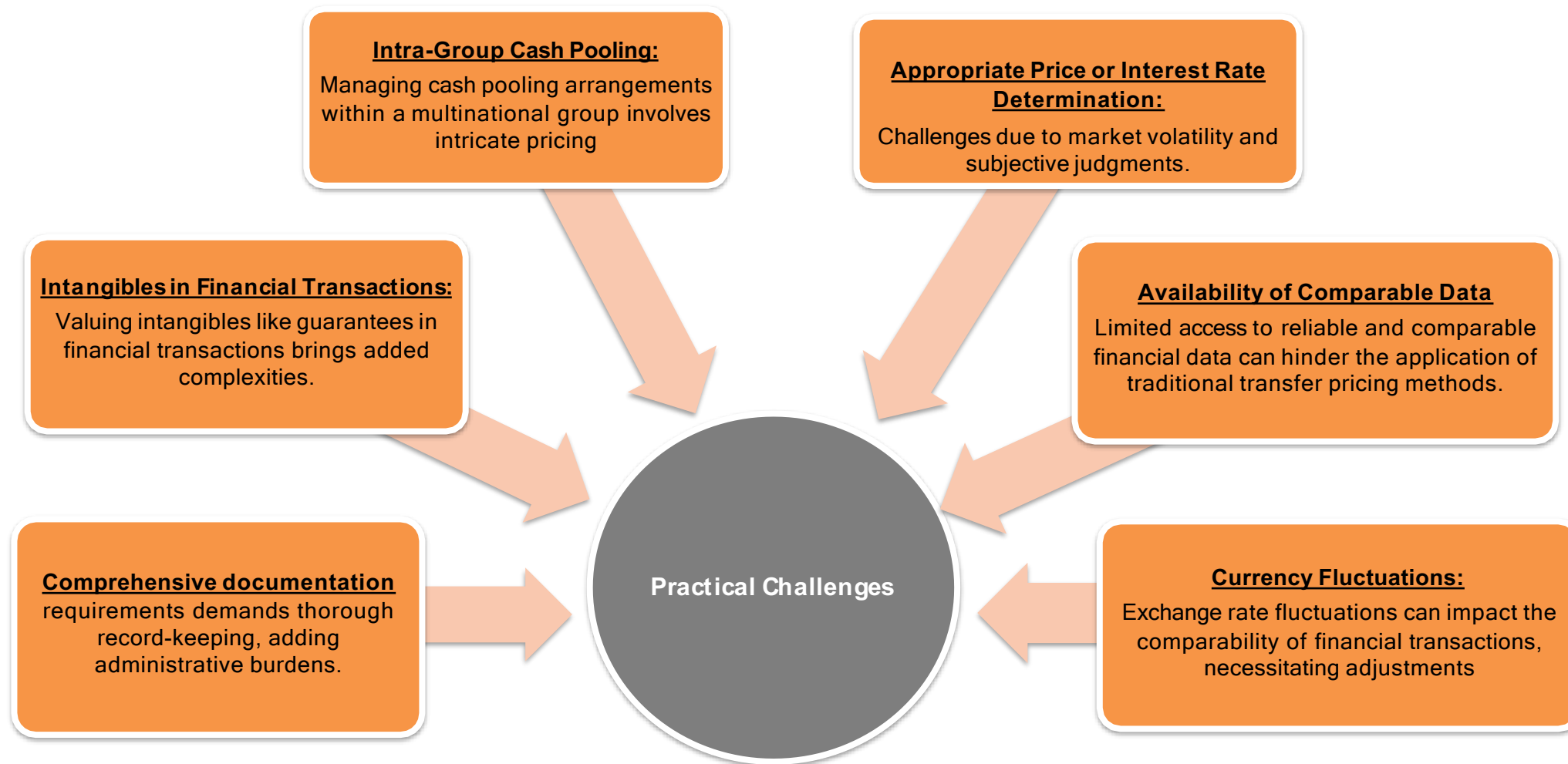
- Analyze the terms of the loan that may impact the pricing including issue date, tenure, currency, interest rate etc.
- Analyze the credit rating of the borrower to understand the credit risk borne by the lender.
- Use reference of third-party loans with similar credit and terms as reference
- Calculate the arm's length range.

Cash Pooling

- The appropriate reward of a cash pool leader will be determined by circumstances and functions performed.
- Remuneration for a cash pool function should be directly linked to its activities and services performed by the cash pool leader.
- Appropriate TP method must be used and determine arm's length interest rates applicable.

Financial guarantees

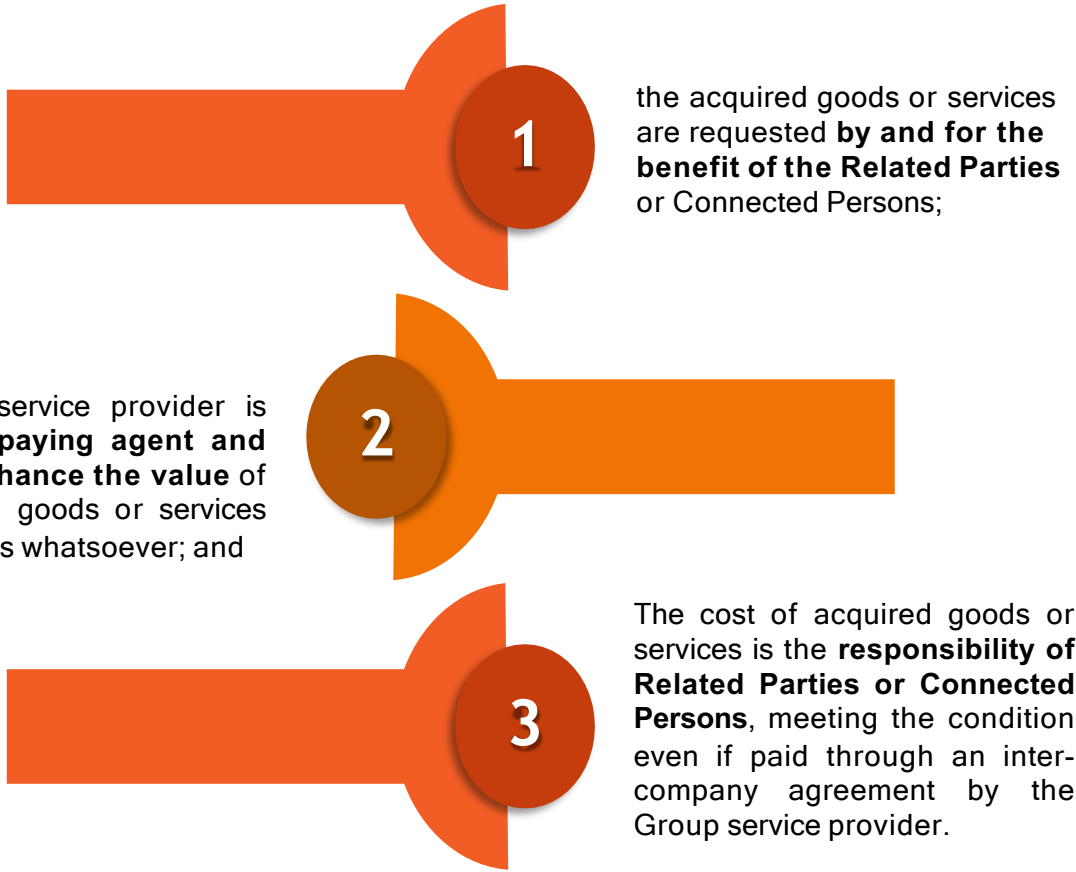
- To determine the arm's length conditions of a financial guarantee arrangement it is necessary to understand the economic benefits received by the borrower.
- The entity that is the borrower may receive more funding or interest at a lower rate because of the Related Party guarantee.



Pass-through cost/Reimbursement of expenses



The Group service provider may pass on the costs from the vendors without a profit element or mark-up provided that:



When markup needs to be added on reimbursement transactions?

Practical Issues:

Complexity of Transactions	• Reimbursement transactions, with their intricate components , pose challenges for benchmarking. Complexity hinders the identification of comparable transactions with similar features.
Documentation and Record-Keeping	• Comprehensive documentation is crucial for benchmarking. Insufficient records can create challenges in justifying benchmark selection and defending the arm's length nature of reimbursement transactions.
Availability of Comparable Data	• Limited availability of relevant data poses practical challenges in benchmarking reimbursement transactions.
Confidentiality Concerns	• Confidentiality concerns may lead companies to withhold detailed reimbursement transaction information , limiting the data essential for benchmarking analyses.

Intangible Assets

Definition -

“Intangibles are defined as something that is not a physical asset or a financial asset, which is capable of being owned or controlled for use in commercial activities, and whose use or transfer would be compensated had it occurred in a transaction between independent parties in comparable circumstances.”

Steps for Analysis of transaction

Step 1	Identify the intangible used or transferred
Step 2	Identify the full contractual arrangements
Step 3	Identify the parties performing functions, using assets or managing (i.e. controlling) risks in relation to the DEMPE of the intangible
Step 4	Confirm consistency between the contractual arrangements and the conduct of the parties and determine whether the parties assuming the economically significant risks also control the risk in relation to the DEMPE of the intangible
Step 5	Characterize the actual Controlled Transactions related to the DEMPE of the intangibles in light of the legal ownership of the intangibles, the other relevant contractual relations under relevant registrations and contracts, and the conduct of the parties, including their relevant contributions of functions, assets and risks
Step 6	Determine the Arm's Length Price for the use or transfer of intangibles

Types of Transactions -

1 Transactions involving the **transfer of intangibles** or rights in intangibles.

2 Transactions involving the **use of intangibles** in connection with the sale of goods or the provision of services.

Examples - (not exhaustive)

Intangibles for TP purposes

- Patents
- Know-how and trade secrets
- Trademarks, trade names and brands
- Rights under contracts and government license
- Licenses and similar limited rights in intangibles

Not Intangibles for TP purposes

- Group synergies
- Market specific characteristics
- Assembled workforce



01

Identification of the entity performing the 'DEMPE' of intangibles

02

Distinguishing the legal owner from economic owner.

03

Choosing an alternate method other than the prescribed TP method like market appraisal, valuation reports, especially when it's a one-off transaction.

04

Finding comparable transactions or licenses involving similar intangible assets can be difficult due to the uniqueness of many intangibles.

05

Intangible assets often require sophisticated valuation models, and there might not be a standardized approach for valuing certain types of intangibles.



Transfer Pricing adjustments are designed to ensure that the taxable outcome of the Controlled Transaction is aligned with the Arm's Length Principle. Transfer Pricing adjustments can be initiated by both Taxable Persons and the FTA in cases where it is believed that a transaction has not been conducted in an arm's length manner.

Transfer Pricing adjustments by the FTA

Taxable Persons can request the FTA to make a corresponding adjustment to their Taxable Income

Transfer Pricing adjustment by the Taxable Person

After submitting their 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.

Filing of Application in case of Corresponding adjustment

Where TP adjustment is carried out by the Tax Authority located in foreign jurisdiction of related party, the UAE entity must file an application to accordingly make a corresponding adjustment in the UAE.

Key challenges to be addressed

- **Detailed Process/ Guidance for Implementing Corresponding Adjustments ?**
- **Timing differences in corresponding adjustments ?**
- **VAT Implications ?**

Transfer Pricing – Clarifications Expected



Transfer Pricing – Action Points



01

Identify related party transactions and connected person payments as per CT Law definitions

02

Evaluate the existing TP policy for related party transactions and compare it to third-party transactions (internal comparable).

03

Undertaking a Transfer Pricing Impact Assessments

04

Conduct a TP benchmarking analysis using global TP databases to identify comparable companies

05

Maintaining appropriate TP documentation support (e.g., intercompany agreements, benchmarking study(ies) and TP policy(ies)

06

Actively monitor TP policies on monthly basis through out the year to avoid large year-end adjustments

07

Compliance with Local File and Master File at Group level
(Sept 2025)

Transfer Pricing Databases



Provider	Database	Content
Bloomberg	Bloomberg Reference Data Services	Financial markets data
Bureau Van Dijk	Orbis Worldwide	Company financial information (Private & Listed Companies)
	Osiris Worldwide	
	Oriana & Amadeus	
	TP Catalyst	
Capital Market Publishers India	Capitaline TP	Company financial information (Private & Listed Companies)
Centre for Monitoring Indian Economy	Prowess	
Accord Fintech	Ace TP	
RoyaltyStat	License Agreement Database	Intangibles License Agreements (Sourced from US SEC)
Royaltysource	RoyaltySource	
Royaltyrange	Royaltyrange	Royalty rate reports

Provider	Database	Content
S&P	Capital IQ – Financials	Company financial information (Private & Listed Companies)
	Compustat – North America	Company financial information (Listed Companies)
	Compustat Global	
	Credit Analytics	Risk of default models (Credit Score)
Thomson Reuters	Dealscan (Worldwide)	Financial transactions data (loans)
	Eikon (Worldwide)	Financial markets data
	Worldwide public company data (Worldwide)	Company financial information (Listed Companies)
	Worldwide private company data (Worldwide)	Company financial information (Listed Companies)
	Worldwide intangibles data (Worldwide)	Intangibles license agreements and royalty rates

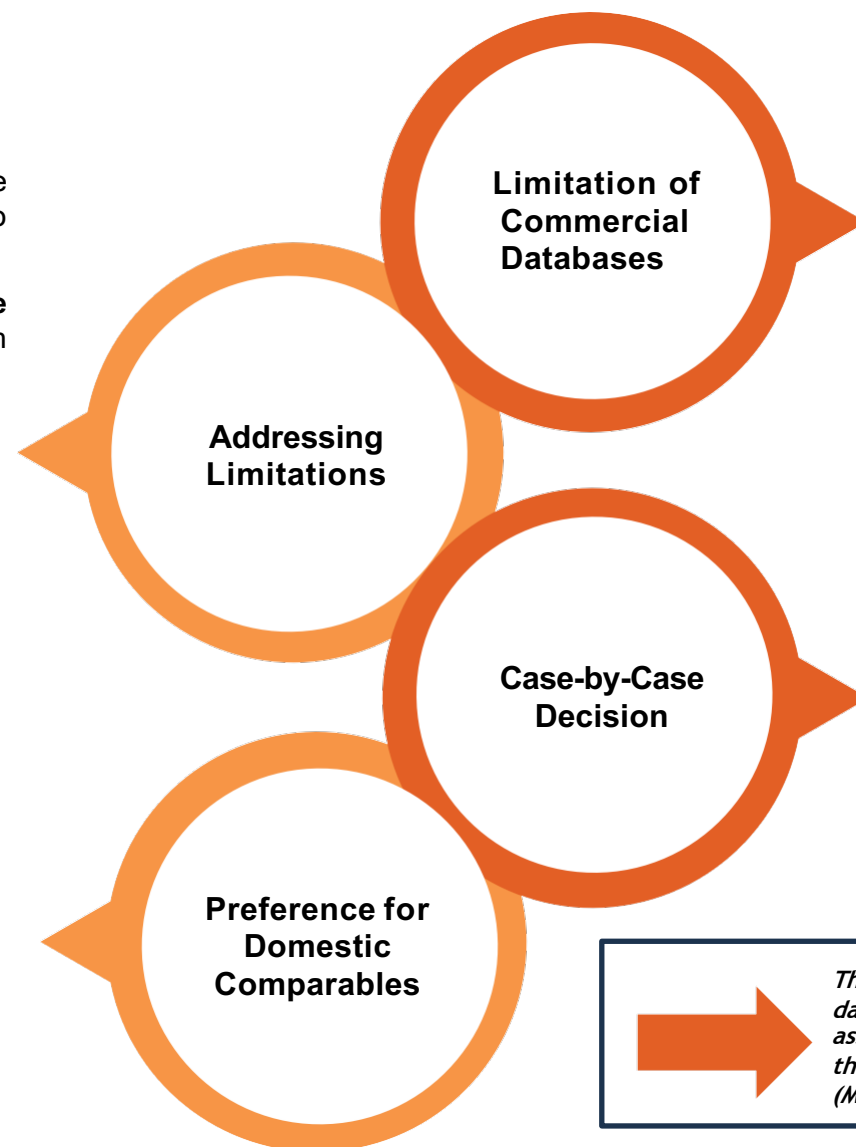
Alternatives in using commercial Databases for TP



A practical approach to addressing comparable imperfections involves widening the search to include uncontrolled transactions in the:

- **same industry and comparable geographical markets** by third parties with differing business strategies.
- **same industry but different geographical markets.**
- **same geographical market but different industries.**

- **Domestic comparables are to be prioritized** for their closer market and economic alignment
- **Regional or global comparables** are acceptable when local data is lacking.



Commercial databases used for TP analysis have limitations due to -

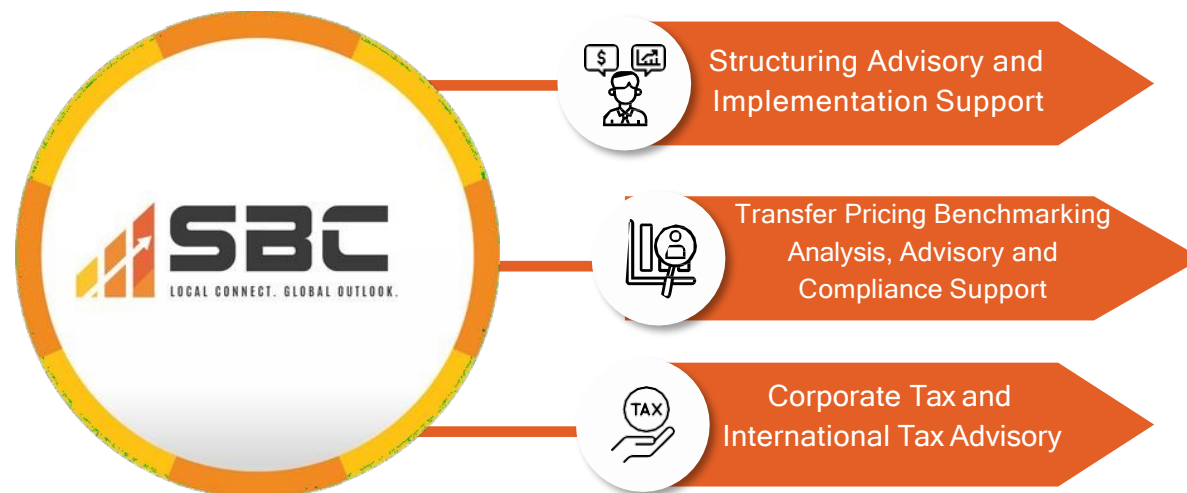
- **inconsistent public information availability**
- **Disparities in disclosure standards**
- **legal requirements** across jurisdictions.

Selecting a transfer pricing method depends on case-specific facts, considering the impact of comparability defects on analysis reliability. Despite data imperfections, **the chosen method should align with the functional analysis of related parties..**



The FTA does not have a preference for any particular commercial database as long as it provides a reliable source of information that assists Taxable Persons in performing comparability analysis; provided that the order for applying comparables is followed (local, regional (Middle East), then other regions).

Our USP



- ❑ **Global Network** - SBC is a member of PrimeGlobal, a global network of 300 highly successful member firms having presence in 100+ countries.
- ❑ **Big4 alumni** - Being Big 4 Alumni, our CT & TP team has direct hands-on experience in handling complex assignments and leverages on the best practices drawn from the team's collective experience with a view to deliver a robust CT & TP solutions that can be defensible from a Corporate Tax and TP audit/scrutiny standpoint.
- ❑ **Global TP Benchmarking Team** - SBC has a specialized team working with global benchmarking databases thereby having capabilities of handling end to end global benchmarking exercises of MNE groups spread across various jurisdictions
- ❑ **Access to Global databases/Software** - SBC has access to all major Global databases/softwares - Prowess, CapitalineTP, AceTP, S&P Capital IQ, TP Catalyst, Refinitiv Eikon, Bloomberg, Loan Connector, RoyaltyStat, Orbis etc.
- ❑ **Collaboration** - Our network partners are former Tax Officers, Ex-Regulators, Senior Counsels who share their expert opinions & views for countering aggressive regulatory positions.

Our UAE Team Leads



CA Mithilesh Reddy

Founder & CEO

mithlesh@sbcllc.ae

+971 58 625 4599



CA Balaram Vuchidi

UAE Practice Lead

balaram@sbcllc.ae

+971 50 986 6466



CA Naveenkumar Kabraa

UAE Practice Lead

naveenkabra@sbcllc.ae

+971 55 579 3578



CA Praneeth Narahari

Partner – Transfer Pricing
& Outsourcing

praneeth@sbcllc.ae



CA Rishabh Agarwal

International Taxation &
Transfer Pricing Lead

rishabh@sbcllc.ae



CA Rajesh Vaishnav

Corporate Tax Lead

rajesh@sbcllc.ae

SBC provides structuring, transfer pricing, international tax and corporate tax advisory services to clients within and beyond borders spanning multiple industries. With local connect and expertise put together with global outlook and capabilities, **SBC** believes in providing holistic solutions to clients tailored to meet business objectives and address most complex challenges and at the same time be robust, scalable and sustainable from a tax, legal and regulatory standpoint.

As of one of the leading professional services providers, **SBC** is well positioned with the team (comprising of Ex Big 4 professionals), experience, scale and multidisciplinary capabilities that are necessary to understand the dynamics and the complexities of any business. The lead team has direct hands-on experience in handling complex assignments across industries and jurisdictions. We leverage on the best practices drawn from the team's collective experience of handling similar projects with a view to deliver structuring, corporate tax, transfer pricing & international tax advisory solutions that adequately factors a 360-degree view of tax positions of MNEs and also demonstrates the compliance of the MNEs with UAE and other countries CT and TP regulations.

Contact us



Our Head Offices:



UAE

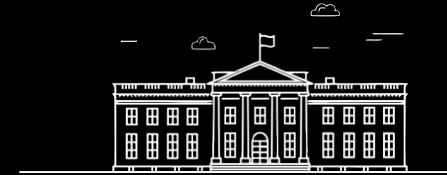
SBC Tax Consulting LLC
305, Hamsah A Block,
Ansar Gallery Building,
Al Karama, Dubai.
P.O BOX: 379682



INDIA

SBC LLP

Suite 5, Level 3, Reliance
Cyber Ville,
Madhapur, Hitech City,
Hyderabad - 500081



USA

SBC LLC

8 The Green,
Suite A in the City of Dover,
Delaware - 19901

