



# Transfer Pricing – From Local to Global

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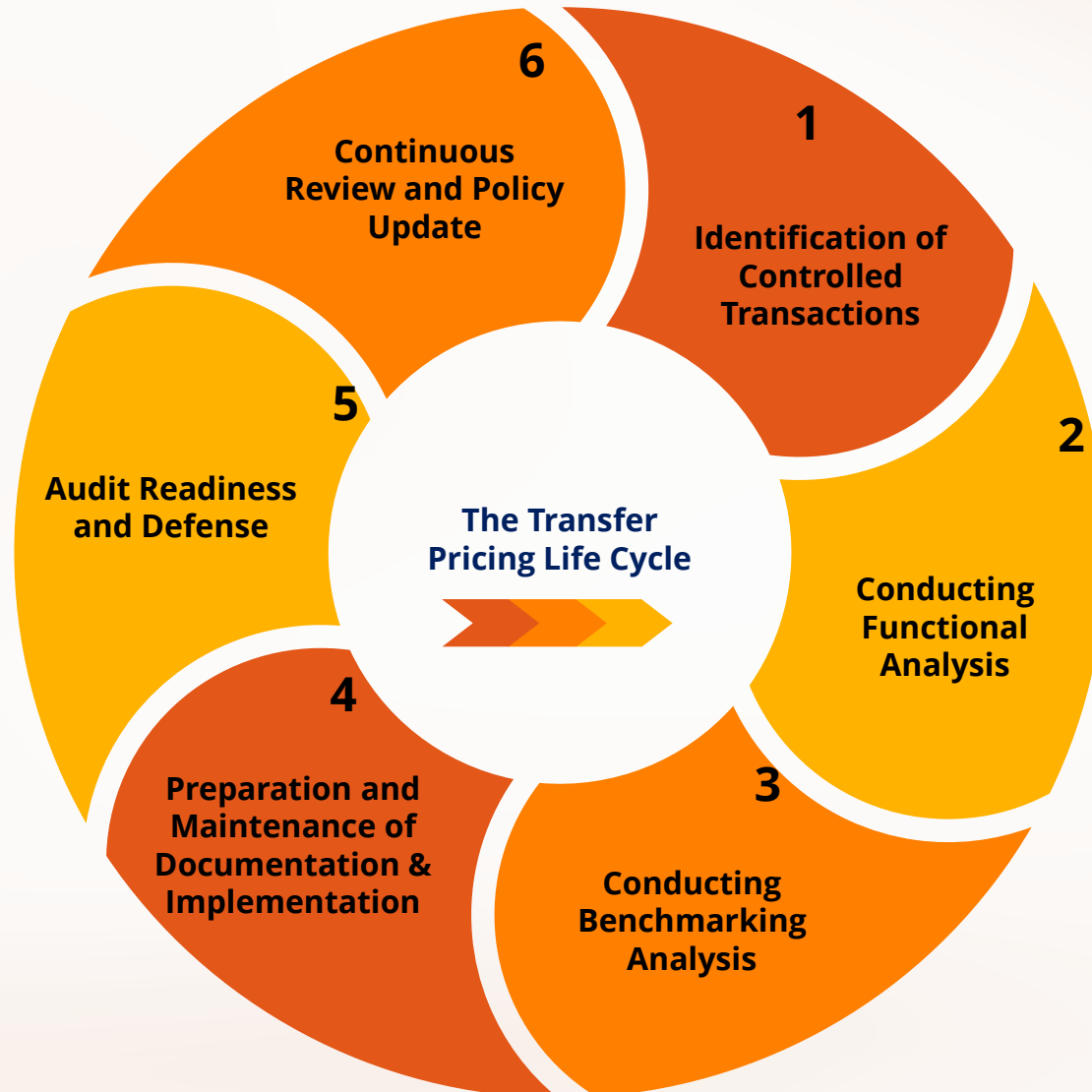
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# Transfer Pricing Life Cycle





## *From Identification to Defense:*

### *A Practical 360° TP Approach/Strategy*

- ✓ Identifying the Related Party Transactions
- ✓ Setting up consistent TP Policy
- ✓ Implementation of TP Policy & Closure of Books of Accounts @ ALP
- ✓ Benchmarking vs Contemporaneous Documentation
- ✓ Basis of Preparation & Supporting Documentation
- ✓ Compliances (DF, LF, MF) where thresholds are met – at the time of CT ROI
- ✓ Internal Evaluation Reports where thresholds are not met



# Benchmarking

## Why Benchmarking? (Para 5.3.2.2 of TP Guide)

- 1 Ensures Arm's Length Pricing
- 2 Satisfies Documentation Obligations
- 3 Aligns Global Group Policies
- 4 Supports Year-End Adjustments (Para 5.3.3 of TP Guide)
- 5 Defends Against Tax Adjustments/ Audits
- 6 Demonstrates Commercial Reality and Economic Substance
- 7 Reduces Penalty Exposure
- 8 Strategic Planning and Cross-Border Structuring



# Benchmarking Steps

Determination of  
years to be covered

1

Broad-based analysis  
of the taxpayer's  
circumstances

2

Understanding the  
controlled transactions  
based on functional,  
assets & risks analysis,  
in order to choose the  
tested party

3

Review of existing  
internal comparables,  
if any

4

Determination of  
available sources of  
information on external  
comparables where such  
external comparables are  
needed taking into  
account their relative  
reliability

5

Selection of the most  
appropriate transfer  
pricing method and  
determination of the  
relevant financial/Profit  
level indicator

6

Identification of  
potential comparables  
using TP databases:  
Based on the relevant  
factors identified in  
Step:3

7

Determination of and  
making comparability  
adjustments where  
appropriate.

8

Interpretation and use  
of data collected,  
determination of the  
arm's length  
remuneration.

9

## Global Databases (Para 5.3.2.2 of TP Guide)



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





## Global Databases (Para 5.3.2.2 of TP Guide)



THOMSON REUTERS  
**EIKON**<sup>TM</sup>

REFINITIV 

 **S&P  
CAPITAL IQ**  
McGRAW HILL FINANCIAL

**DealScan**

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

# Illustrative Search Strategy

Category	Quantitative Filters	Number of Companies
Region	UAE, GCC/Middle East, Africa, Eastern Europe	###
Status	Active Companies	###
Characteristics of a Shareholder	Ownership: 0 Min %: 0, Max %: 25   Types: XXXX	###
Characteristics of a Subsidiary	Min %: 25, Max %: 100   Types: Banks/Fis	###
Independence	Companies with a BvD Independence indicator of A+, A, A-, or Companies for which all shareholders or all shareholders with a stake greater than 25% are individuals or employees	###
NACE Rev. 2 (Primary codes only)	5829. Other software publishing, 6201. Computer programming activities, 6202. Computer consultancy activities, 701. Activities of head offices, 7021. Public relations and communication activities, 7022. Business and other management consultancy activities, 781. Activities of employment placement agencies, 783. Other human resources provision, 8211. Combined office administrative service activities, 8219. specialised office support activities, 8299. Other business support service activities.	###
Consolidation	Consolidation code: U1 (unconsolidated accounts with no consolidated companion)	###
Operating profit (loss) [EBIT] (m USD)	min=0, 2024, 2023, 2022, for all the selected periods, exclusion of companies with no recent data and Public authorities/States/Governments	###
Operating revenue (Turnover) (m USD)	min=1, 2024, 2023, 2022, for all the selected periods, exclusion of companies with no recent data and Public authorities/States/Governments	###

## Illustrative Search Strategy (Cont'd)

Category	Quantitative Filters	Number of Companies
Operating profit (loss) [EBIT] (m USD) Minimum Value:5,000,000	min=0, 2024, 2023, 2022, for all the selected periods, exclusion of companies with no financial data and Public authorities/States/Governments	###
Operating revenue (Turnover) (m USD) Minimum Value: 0	min=1, 2024, 2023, 2022, for all the selected periods, exclusion of companies with no financial data and Public authorities/States/Governments	###
Intangible Assets/Total Assets	Absolute Years: 2024, 2023, 2022,   Criteria to be valid: 3  Maximum Value: 0   Balance Sheet Item Value: CY Only	###
Boolean Search	((((((((((1 AND 2) <b>AND NOT</b> 3) <b>AND NOT</b> 4) AND 5) AND 6) AND 7) AND 8) AND 9) AND 10) AND 11) AND 12)	
<b>Number of Companies for Qualitative Analysis</b>		<b>###</b>
<b>Companies reviewed in detail</b>		<b>###</b>
Non comparable BvD indicator		###
Companies engaged in dis-similar Functions		###
Insufficient business description		###
<b>Companies engaged in similar functions</b>		<b>13</b>



# Search Results – Gross Margins – Trading

## Para 5.3.4 of TP Guide

S.no	Company Name	Year 1	Year 2	Year 3	Weighted Average
		GP/Sales	GP/Sales	GP/Sales	GP/Sales
1	ABC Ltd	9.08%	10.66%	12.31%	10.81%
2	DEF Ltd	13.95%	12.12%	9.76%	11.82%
3	XYZ Ltd	19.40%	14.89%	9.10%	15.70%
4	GHI Ltd	18.58%	15.06%	14.36%	16.06%
5	JKL Ltd	14.74%	15.74%	18.98%	16.70%
6	MNO Ltd	17.44%	20.71%	18.33%	19.06%
7	PQR Ltd	19.72%	22.80%	22.53%	21.66%
8	STU Ltd	22.43%	22.50%	30.84%	25.79%

For any percentile P, where P is between 0 and 100:

$$\text{Position} = (n + 1) \times \frac{P}{100}$$

- $n$  = number of observations in the dataset
- $P$  = desired percentile (e.g., 25 for Q1, 75 for Q3)

**In this case, 25<sup>th</sup> percentile will be:**

$$(8+1) \times (25/100) = 2.25 \text{ i.e.}$$

2<sup>nd</sup> Position + 25% of difference between 2<sup>nd</sup> and 3<sup>rd</sup> position

$$\text{i.e. } 11.82\% + 0.25 \times (15.70\% - 11.82\%) = 12.79\%$$

Total no.of comparables		8
Criteria	Data Place	GP/Sales
25th Percentile	2	12.79%
Median	4	16.38%
75th Percentile	6	21.01%

The Margin of Tested Party shall fall within this range to be considered as Arm's Length

# Search Results – Net Margins – Services/Manufacturing

## Para 5.3.4 of TP Guide

S.No	Company Name	Year 1	Year 2	Year 3	Weighted Average
		OP/OC	OP/OC	OP/OC	OP/OC
1	ABC Ltd	0.33%	1.31%	0.85%	0.83%
2	DEF Ltd	0.15%	3.61%	1.05%	1.60%
3	XYZ Ltd	0.69%	2.66%	1.85%	1.73%
4	GHI Ltd	-1.90%	6.50%	2.04%	2.21%
5	JKL Ltd	3.96%	5.55%	3.00%	4.17%
6	MNO Ltd	5.93%	8.10%	5.50%	6.51%
7	PQR Ltd	7.32%	7.61%	6.20%	7.04%
8	STU Ltd	13.57%	3.41%	7.00%	7.99%

For any percentile P, where P is between 0 and 100:

$$\text{Position} = (n + 1) \times \frac{P}{100}$$

- $n$  = number of observations in the dataset
- $P$  = desired percentile (e.g., 25 for Q1, 75 for Q3)

**In this case, 25<sup>th</sup> percentile will be:**

$$(8+1) \times (25/100) = 2.25 \text{ i.e.}$$

2<sup>nd</sup> Position + 25% of difference between 2<sup>nd</sup> and 3<sup>rd</sup> position

$$\text{i.e. } 1.60\% + 0.25 \times (1.73\% - 1.60\%) = 1.63\%$$

Total no.of comparables		8
Criteria	Data Place	OP/OC
25th Percentile	2	1.63%
Median	4	3.19%
75th Percentile	6	6.91%

The Margin of Tested Party shall fall within this range to be considered as Arm's Length

# When Can We Use Foreign Comparables?

## Para 5.3.2.2 of TP Guide

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).

### Document the Search Trail

If no suitable UAE comparables exist, document why & maintain an audit trail.



### Local First, Then Expand

- **Domestic Comparables (UAE)**
  - **Regional (Middle East)**
  - **Global (other jurisdictions)**
- Where domestic comparables are not sufficient



### Acceptable Where Justified

- **Local/regional data is unavailable or insufficient.**
- **The economic conditions are reasonably comparable.**
- **Necessary adjustments made to address geographic/functional differences.**





## Para 6.3 of TP Guide

The FTA expects that documentation is maintained either at the time of the Controlled Transaction or, by the time the Taxable Person submits its Tax Return for the Tax Period in which the Controlled Transaction is undertaken. As further described below, such documentation should contain an exhaustive and detailed description of the Controlled Transactions, the economic conditions surrounding them, and the analysis and conclusions that led to the determination of the transfer prices.

By maintaining contemporaneous Transfer Pricing documentation, Taxable Persons can demonstrate that their Transfer Pricing policies comply with the Arm's Length Principle. These policies and the supporting documentation should be prepared, regularly reviewed and reassessed at least annually to reflect changes in the Taxable Person's business or structure and the regulatory and wider business environment.

## Para 5.3.5.3 of TP Guide

The examination of multiple-year data is typically done for 3 years inclusive of the year in which the transaction is undertaken. When using a 3-year period, at least 2 years of data should be available in order to accept the comparable company.

# Benchmarking Study vs Updated search illustration Requirement of Statutory Audit and Tax Compliance

Objective	FY - DEC 2021	FY - DEC 2022	FY – DEC 2023	FY - DEC 2024 (Update of the latest FY data required as on the date of filing the CT return or DF form and LF being maintained with Contemporaneous Data)
<b>Three Year Data Update for benchmarking , Impact and Planning purposes</b>  <b>vs</b>  <b>Audit Closures</b>  <b>vs</b>  <b>Tax Compliance as on the filing date</b>	<p>Benchmarking studies using FY 2021, FY 2022, and FY 2023 data were conducted and provided from January 24 to March 2025.</p> <p>These studies included comparable data available in TP databases up to December 2023. The benchmarking was carried out to support impact assessment and book closure readiness. It aimed to assess the current and market value of related party transactions (RPTs).</p> <p>Auditors, during financial closure, have been requesting tax computations and TP compliance evidence. There is an increased focus on disclosure and documentation readiness under TP regulations. Audit and governance teams emphasize the need for contemporaneous, up-to-date comparable. Therefore, benchmarking results must be updated with the latest financial data and FY available in TP databases.</p>			<p>The benchmarking study and search for FY 2024 - December 2024 should be updated to reflect any updation of the margins or trend in the profit ratios or PLIs of the Comparable data, as on the date of compliance of tax returns with DFs embedded, that are required to be filed with self-declaration that the RPTs are at arm's length and Justification of the same, in LF being maintained.</p> <p>Sept 30<sup>th</sup> being the statutory deadline for tax compliance. Compliance's can be done before such date, only requirement is that the comparable margins and availability of data should be updated as on the date of filing the tax returns.</p>
<b>Data Upgradation for FYE 2024</b>				<p>As the stat and tax audit closures for FY 2024 would occur between May and August, an updated benchmarking study with Financial margins of comparable up to December 24, would be necessary to ensure audit and Tax regulatory compliance.</p>

# Comparability Adjustments

## (Para 5.3.3 of TP Guide)

### Working Capital Adjustment

- Aligns for differences in receivables, payables, and inventory
- Impacts profitability due to financing needs.
- Essential in TNMM for distributors.

### Idle Capacity Adjustment

- Adjusts for under-utilization of assets.
- Spreads fixed costs over expected capacity.
- Key for manufacturers with low output periods.

### Foreign Exchange Adjustment

- Adjust for currency volatility impacting tested party.
- Use when comparables operate in stable FX zones.
- Helps isolate FX risk from business performance.

### Risk Adjustment

- Accounts for risk profile differences (market, credit, operational).
- Needed when tested party is limited-risk vs. full-risk comparables.
- May require economic modeling or expert judgment.

### Extreme Results

- Exclude statistical outliers that distort margins.
- Often due to non-recurring events (e.g. asset sale, litigation).
- Use the interquartile range (25th–75th percentile) to ensure reliability.
- Backed by OECD & UAE TP Guide.

### Loss-Making Companies

- Chronic loss-makers are usually excluded.
- Include only if functionally comparable and industry-wide losses exist.
- Distinguish between temporary vs. structural losses.

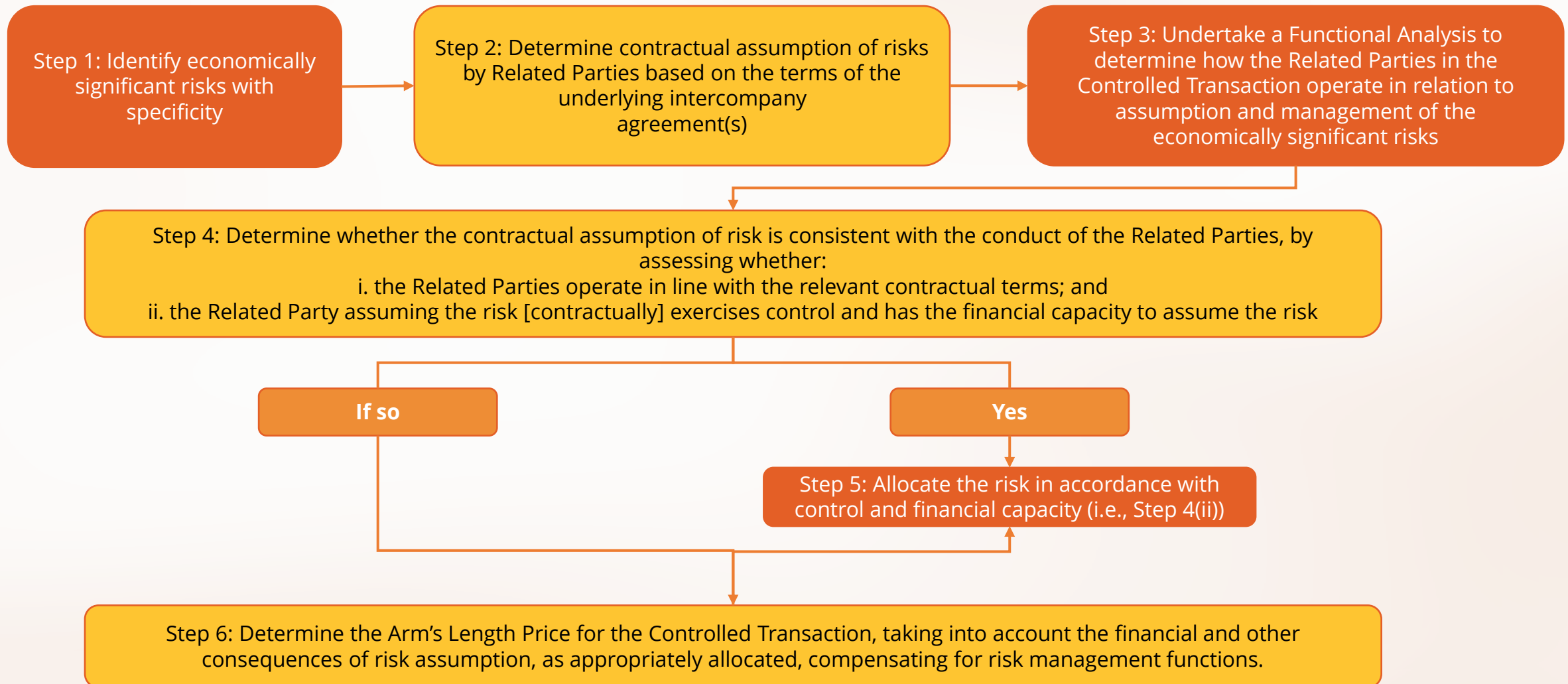




# Functional Analysis – Six Step Framework

## (Para 5.1.1.2 of TP Guide)

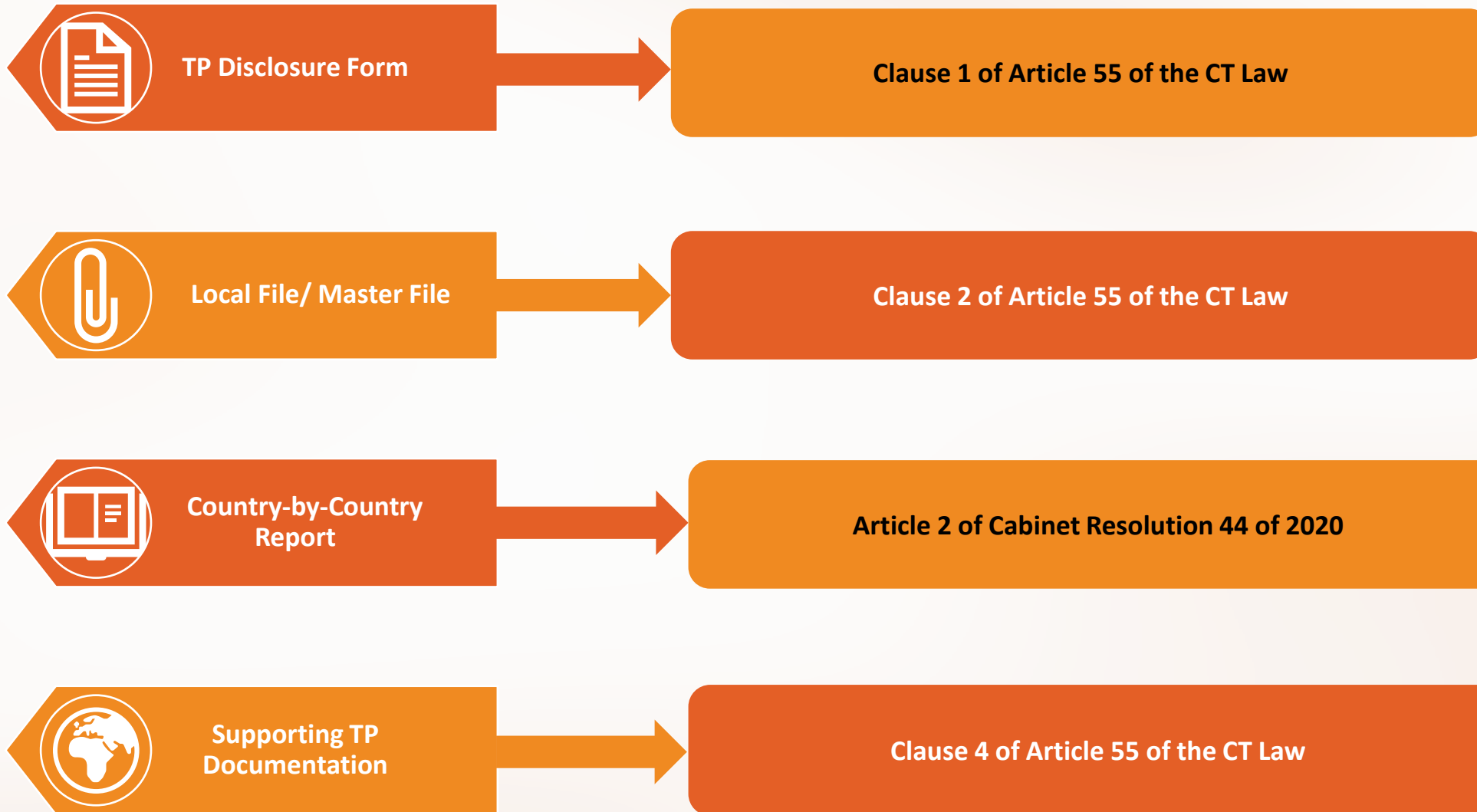
There is a six-step process for analyzing the risks in a Controlled Transaction, in order to accurately delineate the actual transaction in respect to those risks. This process is summarized as follows:





# Compliance Applicability Combinations

# Transfer Pricing Compliance – References





# Transfer Pricing Compliance – Threshold & Due Dates

Compliance	Threshold	Due dates	Remarks
<b>TP Disclosure Form</b>	<p><b>Threshold</b> – Aggregate value of transactions with Related Parties exceeds <b>AED 40 million</b>.</p> <p><b>Reportable Transactions</b> – Transactions where the aggregate transaction value per category exceeds <b>AED 4 million</b> are required to be reported.</p>	File alongside Tax Return within <b>9 months</b> from end of Tax Period.	Disclose high-value transactions with Related Parties and Connected Persons. Dividends between Related Parties are excluded from threshold calculations. Thresholds are only for Disclosure Requirement. However, ALP and necessary TP adjustments have to be complied with irrespective of the threshold criteria.
<b>Local File</b>	<ul style="list-style-type: none"> <li>Standalone revenue exceeds <b>200 million AED</b>, or</li> <li>Constituent entity part of CbCR compliant MNE Group.</li> </ul>	<ul style="list-style-type: none"> <li>File alongside Tax Return within 9 months from end of Tax Period if LF and MF are applicable.</li> <li>File within <b>30 days</b> upon request by FTA.</li> </ul>	<p>Taxable Persons within UAE-headquartered groups (without international presence) are only required to maintain a Local File and Master File is not required.</p> <p>Local File &amp; Master File are also required to be attached as part of CT return wherever threshold criteria is met.</p>
<b>Master File</b>			
<b>Country-by-Country Report (CbCR)</b>	UAE Head Quartered MNE groups with consolidated revenue over <b>3.15 billion AED</b> in immediately preceding Fiscal Year.	<ul style="list-style-type: none"> <li>File CbCR Notification before last day of Fiscal Year.</li> <li>File CbC Report within <b>12 months</b> from end of Fiscal Year.</li> </ul>	CbCR filing requirement is not required for foreign headquartered MNE Groups.
<b>Supporting TP Documentation</b>	Applicable to every Taxable Person undertaking transactions with Related Parties/Connected Persons.	<ul style="list-style-type: none"> <li>Maintain contemporaneous supporting documentation at the time of filing of Tax Return.</li> <li>File within <b>30 days</b> upon request by the FTA.</li> </ul>	May include details on transactions, benchmarking studies, intercompany agreements, and other supporting documentation to demonstrate the arm's length nature of transactions. Sufficiently detailed to support all chosen methodologies.

# Applicability of Compliance in various scenarios

(Para 16.1 of CT Guide & MD 97 of 2023)

Particulars	Disclosure Form		Local File	Master File
	RP	CP		
Aggregate value of RPT > <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) > <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue > <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue > <b>AED 3.15 billion</b>	✓	✓	✓	✓
Aggregate value of RPT > <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) < <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue > <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue > <b>AED 3.15 billion</b>	✓	✗	✓	✓

# Applicability of Compliance in various scenarios

## (Para 16.1 of CT Guide & MD 97 of 2023)

Particulars	Disclosure Form		Local File	Master File
	RP	CP		
Aggregate value of RPT < <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) > <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue > <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue > <b>AED 3.15 billion</b>	×	✓	✓	✓
Aggregate value of RPT < <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) < <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue > <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue < <b>AED 3.15 billion</b>	×	×	✓	✓

# Applicability of Compliance in various scenarios

## (Para 16.1 of CT Guide & MD 97 of 2023)

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Aggregate value of RPT > <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) < <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue < <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue < <b>AED 3.15 billion</b>	✓	✗	✗	✗
Aggregate value of RPT < <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) < <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person's standalone revenue < <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue < <b>AED 3.15 billion</b>	✗	✗	✗	✗



# Applicability of Compliance in various scenarios

(Para 16.1 of CT Guide & MD 97 of 2023)

Particulars	Disclosure Form		Local File	Master File
	RP	CP		
Aggregate value of RPT > <b>AED 40 million</b> ----- <b>AND</b> ----- Aggregate value of CP payments (including RPs) < <b>AED 500,000</b> ----- <b>AND</b> ----- Taxable Person’s standalone revenue < <b>AED 200 million</b> ----- <b>AND</b> ----- Consolidated group revenue > <b>AED 3.15 billion</b>	✓	✗	✓	✓

STEP 1 –  
Filing & Maintenance

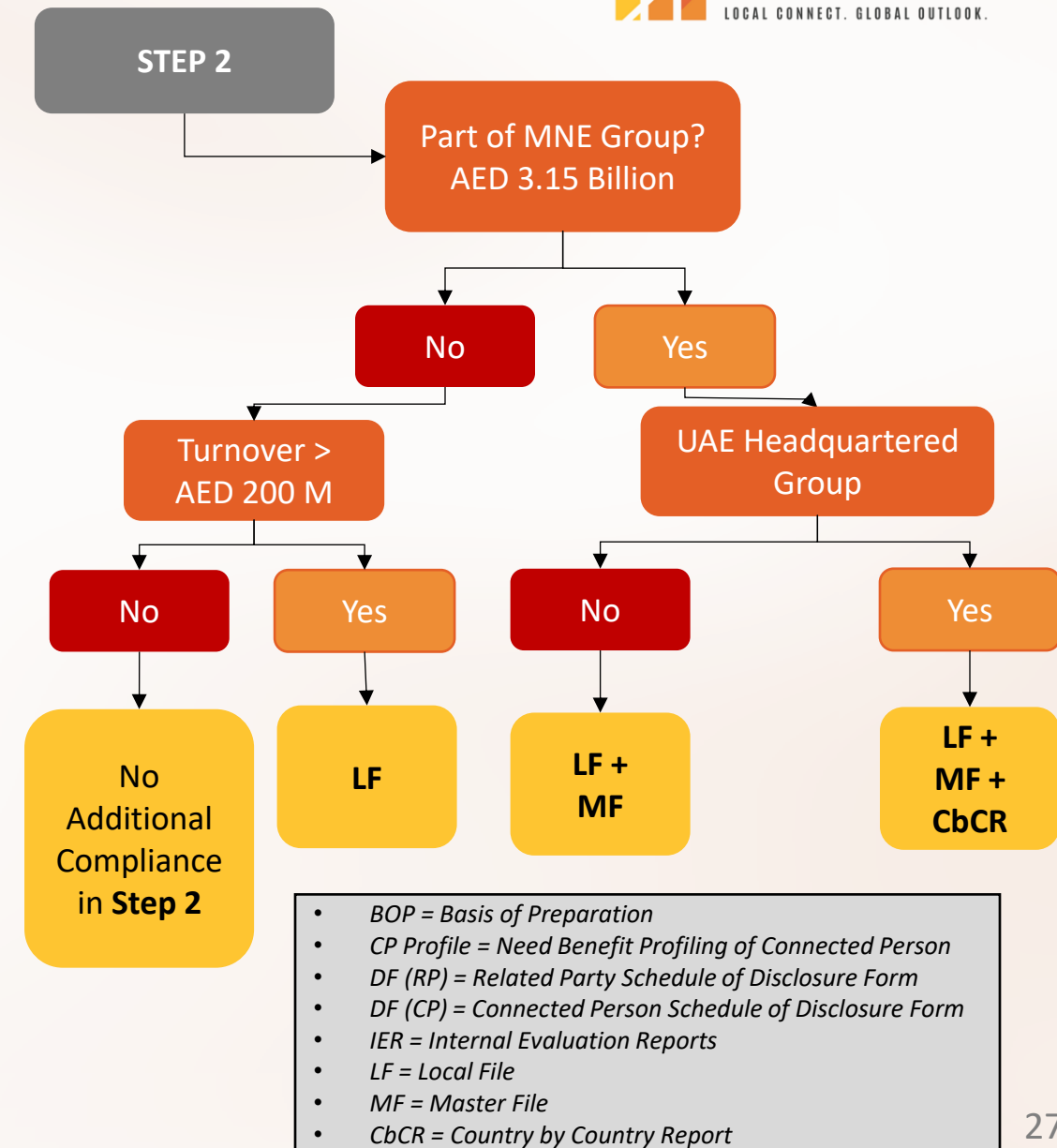
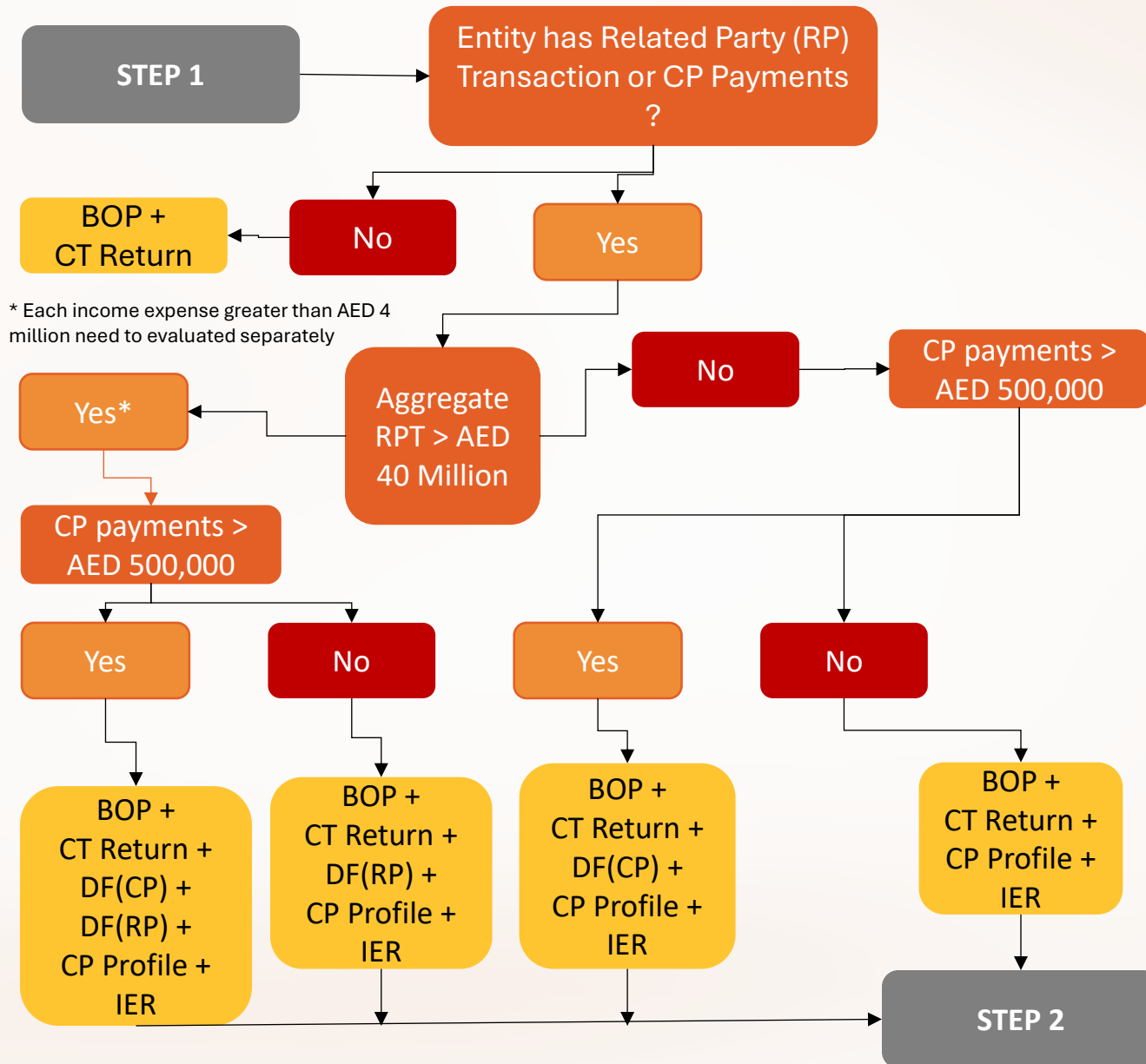
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STEP 2 –  
TP Documentation

## *Two Step Model for evaluation of applicable TP compliance & documentation*

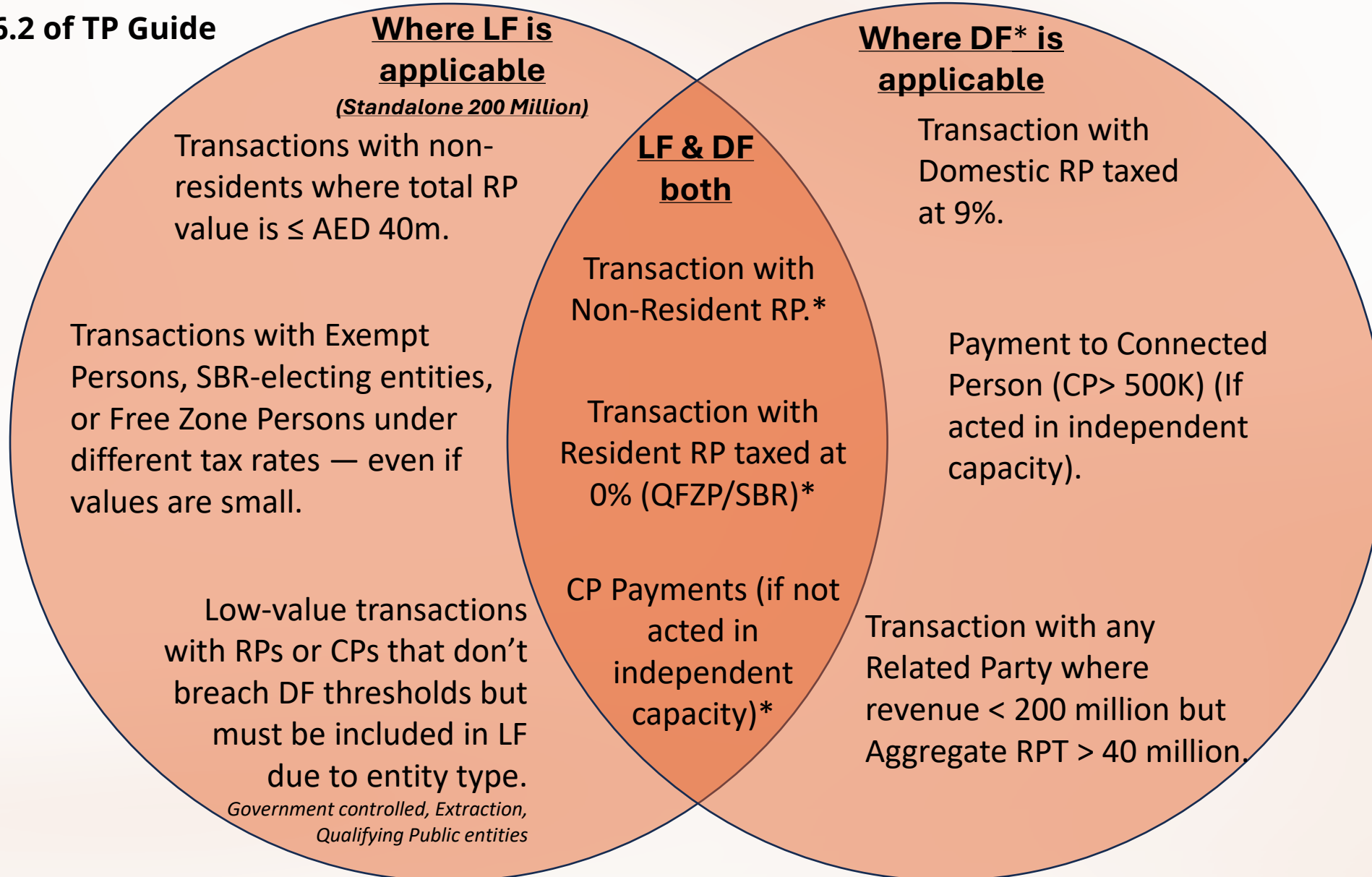
- **BOP (Basis of Preparation):**  
*A summary explaining the accounting and tax assumptions used in preparing the corporate tax return and disclosures.*
- **CP Profile (Connected Person Profile):**  
*A need-benefit assessment demonstrating that remuneration or payments to a Connected Person are at market value and commercially justified.*
- **IER (Internal Evaluation Report):**  
*Internal documentation summarizing functional, economic, and risk-based assessments to support arm's length pricing and internal policies.*

# TP Compliance Flowchart (Best practice for audit defence)



# Reportable Transactions Specific – when LF & DF is required?

## Para 6.6.2 of TP Guide



\* crosses AED 4m and 40m category threshold for DF



# RP & CP Schedule

**Corporate Tax Return**

Transactions with Related Parties and Connected Persons

Were there any transactions with Related Parties in the current Tax Period?

☒ Yes ☐ No

Were there any transactions with Connected Persons in the current Tax Period?

☒ Yes ☐ No

Releated Party Transaction Schedule

Connected Persons Schedule

Description

Total Amount (AED)

**RPT Schedule  
format given**

**CP Schedule  
format given**

## Releated Party Transaction Schedule

Gross Income Received from Related Parties

Expenditure Paid to Related Parties

Summary Table

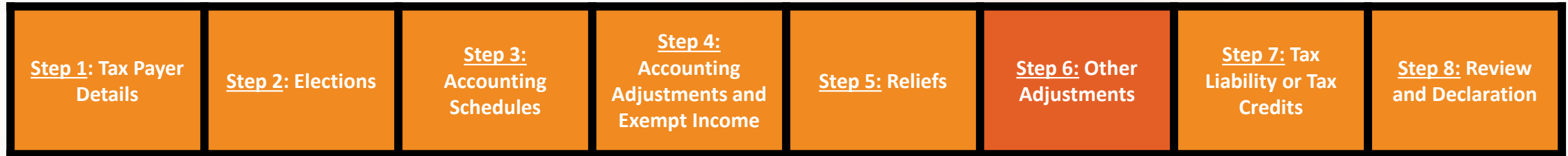
Gross Income Received from Related Parties

+ Add New Item

Customize Columns		...					
Name of the Related Party	Transaction type	Tax Residence	Gross Income (AED)	Transfer Pricing method applied	Arm's Length Value (AED)	Tax adjustment (AED)	Action
Mr. A	Goods	India	1,000	The resale price method.	800	-200	...
Total (AED)						-200	

# RP Disclosure Form – Under CT Return

Below are the steps that an ideal Tax Return would consist of:



RP Schedule gets enabled – Refer next slide\*

Additions/ deductions as a result of **adjustments** to transactions which were not at arm's length:

- To be entered **manually**,
- **Difference** between ALP Value and Transaction Value,
- To be calculated for **all transactions** irrespective of threshold,
- Value of upward adjustments in this schedule **shall be equal or more than** the adjustments mentioned in RP Schedule.
- Adjustments including transactions **less than AED 4 million**.

Gains/losses realized in the current Tax Period in relation to assets/liabilities **previously received from RP** at non-arm's length price?

- Realization of an asset or liability includes **sale, disposal, transfer**.
- Other than transfer within Qualifying Group or Business Restructuring Relief.

Are there any Related Party Transactions during the Tax Period?

Yes

Aggregate value > AED 40 million?

No

RP Disclosure not required

No

RP Disclosure not required

CP Payments are covered in ensuing slides

# RP Disclosure Form

Continuing from the previous slide

RP Schedule gets enabled

Aggregate value of related party transaction type\* is more than AED 4 million?

No

Yes

Disclosure of such type of transaction is not required.

Transaction wise information is to be filled in the below format:

*\* Type of the transaction can be:*

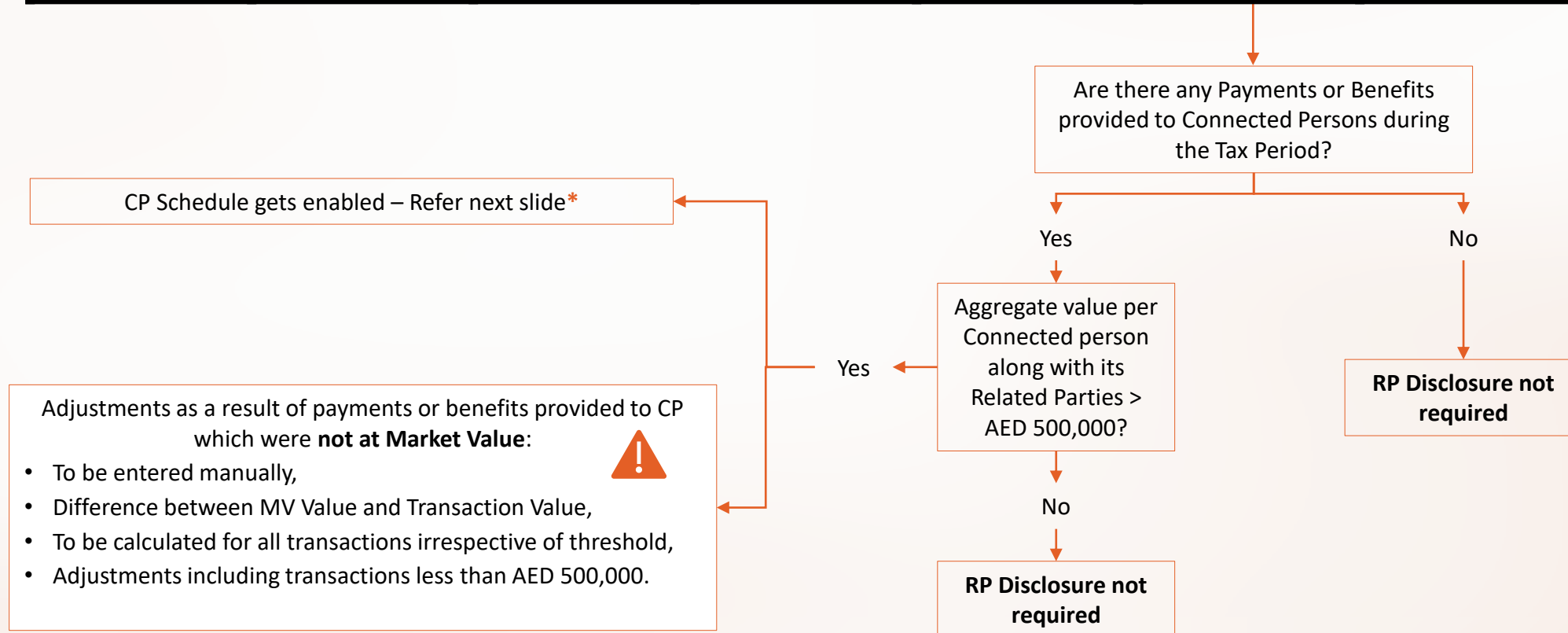
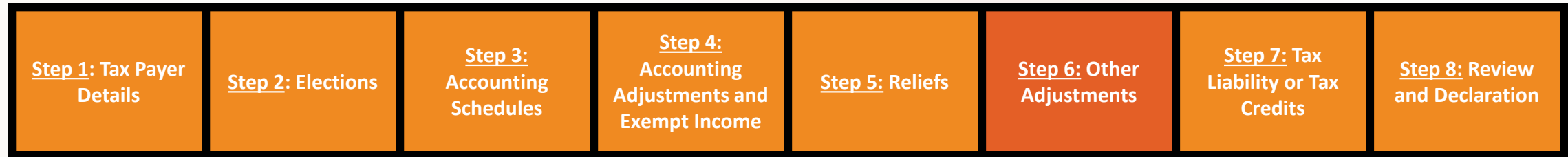
- **Goods**
- **Services**
- **Intellectual Property**
- **Interest**
- **Assets\***
- **Liabilities\***
- **Other**

Name of the Related Party	Transaction Type	Tax Residence	CT TRN/TIN	Gross Income/ Expenses	TP Method	Description of TP Method	Arms Length value	Tax Adjustments
Legal Name of the Related Party to be mentioned	Drop down list: <ul style="list-style-type: none"> <li>• Goods</li> <li>• Services</li> <li>• Intellectual Property</li> <li>• Interest</li> <li>• Assets</li> <li>• Liabilities</li> <li>• Other</li> </ul>	Related Party's tax residence	UAE RP – CT TRN Outside UAE RP – TIN	Gross Value of Income/ Expenses	Drop down list: <ul style="list-style-type: none"> <li>• CUP</li> <li>• TNMM</li> <li>• RPM</li> <li>• PSM</li> <li>• CPM</li> <li>• <b>Other Method</b></li> </ul>	To be filled only if other method is selected	To be calculated based on Transfer Pricing Policy	Automatic difference between Arms Length Value and Gross Income/ Expense

Same disclosure requirements for all type of transactions

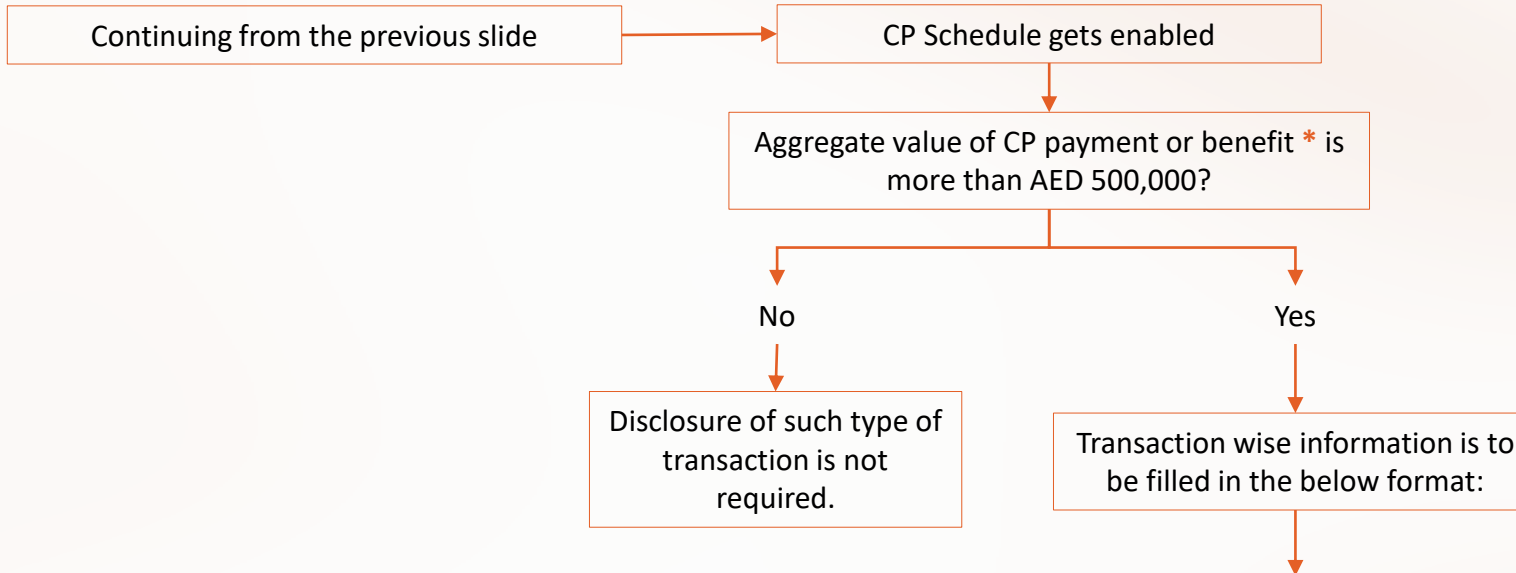
# CP Disclosure Form – Under CT Return

Below are the steps that an ideal Tax Return would consist of:





# Format for CP Payment/ Benefit Disclosure



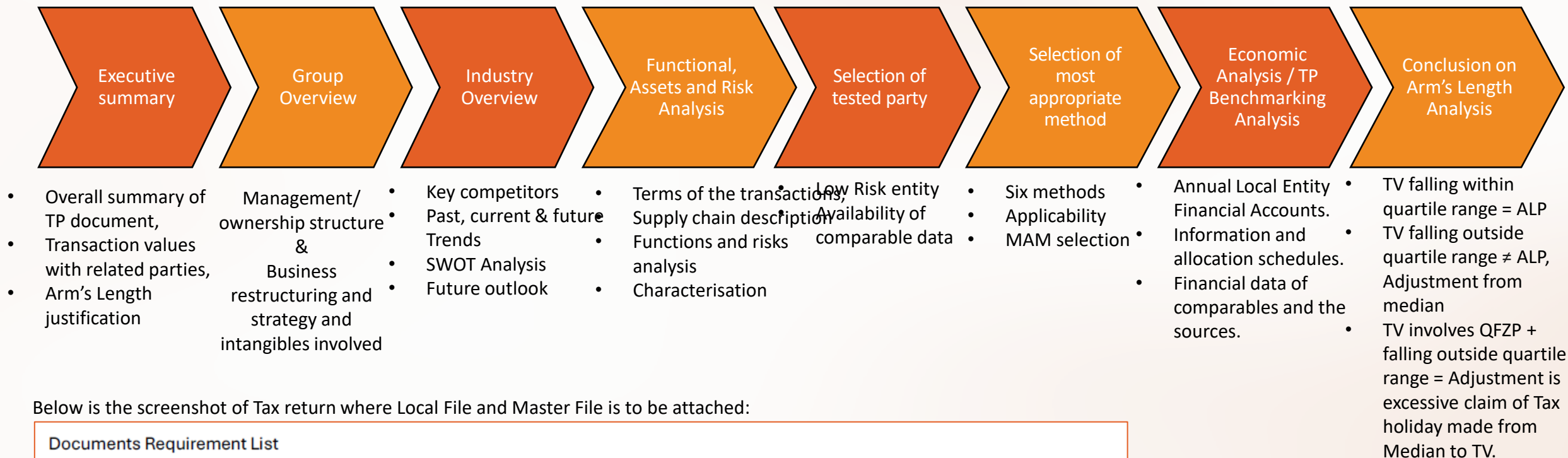
*\* The **threshold of AED 500,000** should be evaluated for the **Connected Person and its related parties collectively**. If the total amount exceeds AED 500,000, then all payments to each Connected Person must be disclosed separately.*

Name of the Connected Person	CT TRN/TIN	Payment/ Benefit	Description	Value of payment/ benefit	Market Value of service or benefit	Adjustment for transactions with Connected Persons
Legal Name of the Related Party to be mentioned	UAE CP – CT TRN Outside UAE CP – TIN	Drop down list: • Payment, • Benefit	Describe the service provided by the CP to Taxable Person	Payments and benefits are to be disclosed in separate line items.	To be calculated based on Transfer Pricing Policy	Automatic difference between Value of payment/ benefit and Market Value of service or benefit

The disclosure is required for each CP. However, there is **no method requirement specified** in the Disclosure Form. Only comparison of payment or benefit with Market value of service or benefit is required – Need benefit analysis

# Local File – Contents

As per 6.6.2 of the UAE TP Guide and Annexure II to Chapter V to OECD TP Guidelines, below are the indicative contents of Local File:



Below is the screenshot of Tax return where Local File and Master File is to be attached:

Documents Requirement List		
Additional Attachments		
Attachment Description	Attachments	Add Reason
Financial Statements	<a href="#">View/Add Attachment(0)</a>	<a href="#">Add/View Reason</a>
Local File	<a href="#">View/Add Attachment(0)</a>	<a href="#">Add/View Reason</a>
Master File	<a href="#">View/Add Attachment(0)</a>	<a href="#">Add/View Reason</a>

# Master File – Contents

As per 6.6.1 of the UAE TP Guide and Annexure I to Chapter V to OECD TP Guidelines, below are the indicative contents of Master File:

<b>Organisational structure</b>	<ul style="list-style-type: none"><li>• Chart illustrating the MNE group's ownership structure &amp; geographical location of operating entities.</li></ul>
<b>Description of MNE group's business(es)</b>	<ul style="list-style-type: none"><li>• Important drivers of business profit,</li><li>• Supply chain</li><li>• Service arrangements, other than R&amp;D services</li><li>• Geographic markets for products and services</li><li>• FAR Analysis</li><li>• Business restructuring transactions</li></ul>
<b>MNE group's intangibles</b>	<ul style="list-style-type: none"><li>• Overall strategy for the development, ownership and exploitation of intangibles</li><li>• List of important intangibles of MNE group</li><li>• Important agreements, including cost contribution arrangements and license agreements</li><li>• Group's TP policies related to R&amp;D and intangibles</li><li>• Important transfers of intangibles</li></ul>
<b>MNE group's financial and tax positions</b>	<ul style="list-style-type: none"><li>• Annual consolidated financial statement for the Fiscal Year</li><li>• MNE group's existing unilateral APAs and other tax rulings.</li></ul>
<b>MNE group's intercompany financial activities</b>	<ul style="list-style-type: none"><li>• Description of how the MNE group is financed,</li><li>• Identification of members of MNE group,</li><li>• Group's TP policies related to intra-group financing arrangements</li></ul>

***However, as an exception, any Taxable Person that is part of a UAE headquartered group that is not an MNE Group (i.e. a group that does not have business establishments outside the UAE) is not required to maintain a Master File. However, they should maintain a Local File as per the above thresholds.***

# All Adjustments to be mentioned

**9.3.2**

Did the aggregate value of all transactions with Related Parties exceed AED 40 million?

Answer 'Yes' if the aggregate value of all transactions with all Related Parties recorded in the Financial Statements or at Market Value exceeds AED 40 million. If you respond 'Yes' to this question, you will be directed to complete the 'Related Party transactions' Schedule (see Section [16.1](#)).

**9.3.3**

Additions as a result of adjustments to transactions which were not at arm's length

Enter the aggregate value of transfer pricing adjustments that increase the Taxable Income (i.e. upward adjustments). This should not be netted off against transfer pricing adjustments that decrease the Taxable Income (i.e. downward adjustments).

If you are required to complete the 'Related Party transactions' Schedule, this field still needs to be completed manually. Since not all transactions need to be reported in the Schedule, the value here should be equal or more than the adjustment reported in the Schedule (see Section [16.1](#)).

**9.3.4**

Deductions as a result of adjustments to transactions which were not at arm's length

## 16.1. Related Party transaction Schedule

The purpose of this schedule is to disclose some of your high value transactions with Related Parties as defined in Article 35 of the Corporate Tax Law.

This Schedule should be completed by all Taxable Persons who have transactions with Related Parties in the Tax Period where the aggregate value of all transactions with all Related Parties recorded in the Financial Statements or at Market Value exceeds AED 40 million.

Once you exceed the above threshold, transactions with Related Parties where the aggregate transaction value per category referred to in field **16.1.2** (with all Related Parties) exceeds AED 4 million, must be disclosed.

Note that Dividends declared between Related parties do not need to be disclosed in this schedule and should not be taken into account in determining the AED 40 million or AED 4 million thresholds referred to above.



# Transfer Pricing Compliance – Snapshot



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

## Para 6.1 of TP Guide

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,
- 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).

The FTA expects the Person to prepare and maintain documentation explaining all relevant information used for the application of the chosen method. Taxable Persons should provide sufficiently detailed documentation to support the factors selected, weights assigned to the factors where multiple factors are used, as well as the details of the numerical adjustments performed. To the extent possible, the documentation should include reliable publicly available market references.

# Supporting TP Documentation (Para 6.1 of TP Guide)

Manufacturing/ Trading/ Distribution of goods	Intra Group Services	Payments to Connected Persons	Corporate Guarantee Commission	Intra Group Financing
<ul style="list-style-type: none"> <li>Intercompany agreement for Sales/Purchases</li> <li>Segmentation (Product category wise)</li> <li>Segmentation (Related Party vs. Third Party)</li> <li>Invoices and POs</li> <li>External TP benchmarking analysis supporting the TP policy</li> <li>TP adjustments workings for adherence to TP policy.</li> </ul>	<ul style="list-style-type: none"> <li>Group TP policy for intra-group services</li> <li>Similar IGS agreements within other group entities</li> <li>Ledgers and invoices</li> <li>Detailed note on nature of each category of intra-group services availed/ Provided</li> <li>Need, benefit, evidence test documentation</li> <li>List of shareholder activities/duplication and incidental benefits, if any (these cannot be charged back to the beneficiary entity)</li> <li>TP adjustments workings for adherence to TP policy.</li> </ul>	<ul style="list-style-type: none"> <li>Contract/Agreement for payments to each connected person</li> <li>Ledgers of payments</li> <li>Reasoning/need for each type of payment</li> <li>Detailed profile of the person covering qualifications and experiences</li> <li>Roles &amp; responsibility matrix</li> <li>Key contributions (increase in revenue/profits, cost reductions, expansions, etc.)</li> <li>Need, benefit and evidence documentation</li> <li>Industry pay scales/Open market sources</li> <li>Records of periodic reviews of payments to connected persons and their ongoing compliance with TP policies.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate guarantee agreement</li> <li>Transfer Pricing policy</li> <li>Guarantee commission workings</li> <li>Ledgers and invoices</li> <li>External TP benchmarking analysis supporting the TP policy</li> </ul>	<ul style="list-style-type: none"> <li>Loan Agreement</li> <li>TP workings</li> <li>Interest workings</li> <li>Ageing details on Interest charged</li> <li>Ledgers</li> <li>Credit Rating</li> <li>Payment details</li> </ul>



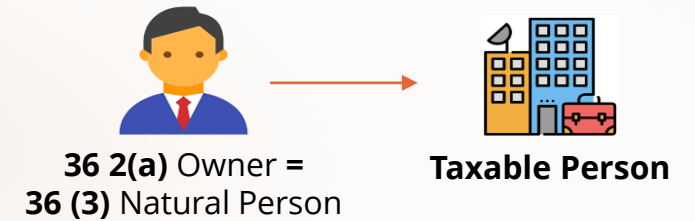
# Connected Persons

# Connected Persons for UAE TP Purposes

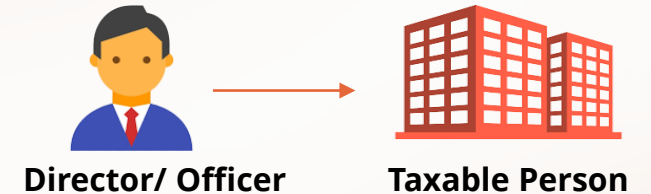


RPs [Article 36 2(a), (b), (c) & 36 (3) & 36 (4)]

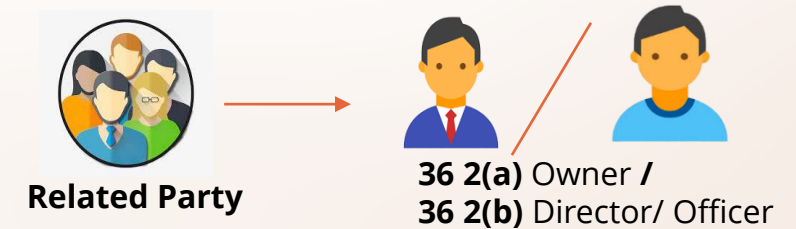
- **36 2(a)** An owner of the Taxable Person
- **36 (3)** An owner of the taxable Person is any natural person who is directly/ indirectly owns a ownership interest in the taxable person or controls such taxable person



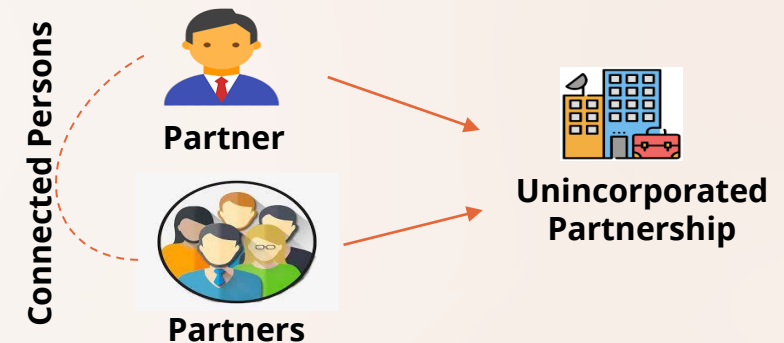
**36 2(b)** A Director or Officer of the Taxable Person



**36 2(c)** A Related Party of any of the Persons referred to in paragraph (a) & (b) mentioned above.



**36 (4)** - Where the Taxable Person is a partner in an Unincorporated Partnership, a Connected Person is any other partner in that same Unincorporated Partnership, and any Person that is a Related Party of that partner.





# Connected Person Payments

Analyze CP involvement across group entities — **operational vs. passive roles.**

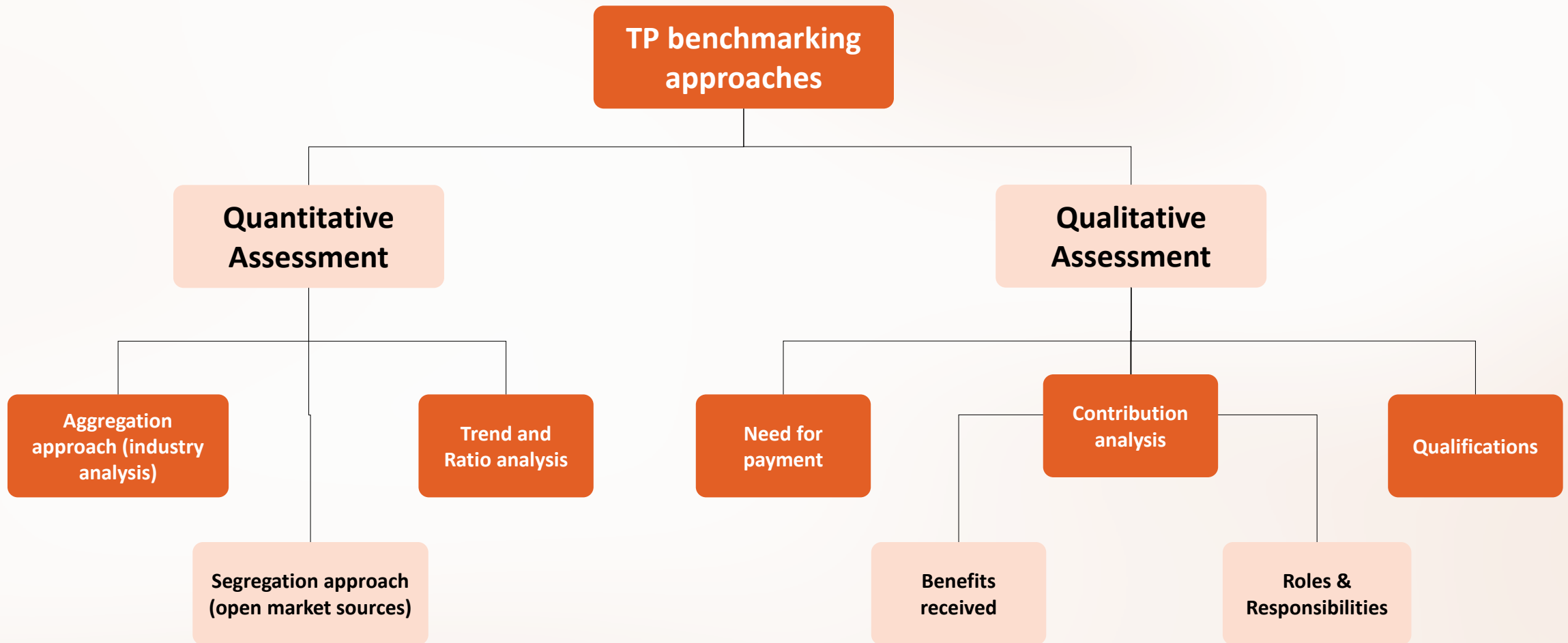
Use **HR databases**, and **trend data** to support TP position.

**Aggregation** and **Segregation** based TP approaches to be evaluated.

Ensure recharge of CP Salaries to all the group entities based on **key allocation drivers**

Ensure payments **match actual decision-making**, responsibility, and time spent.

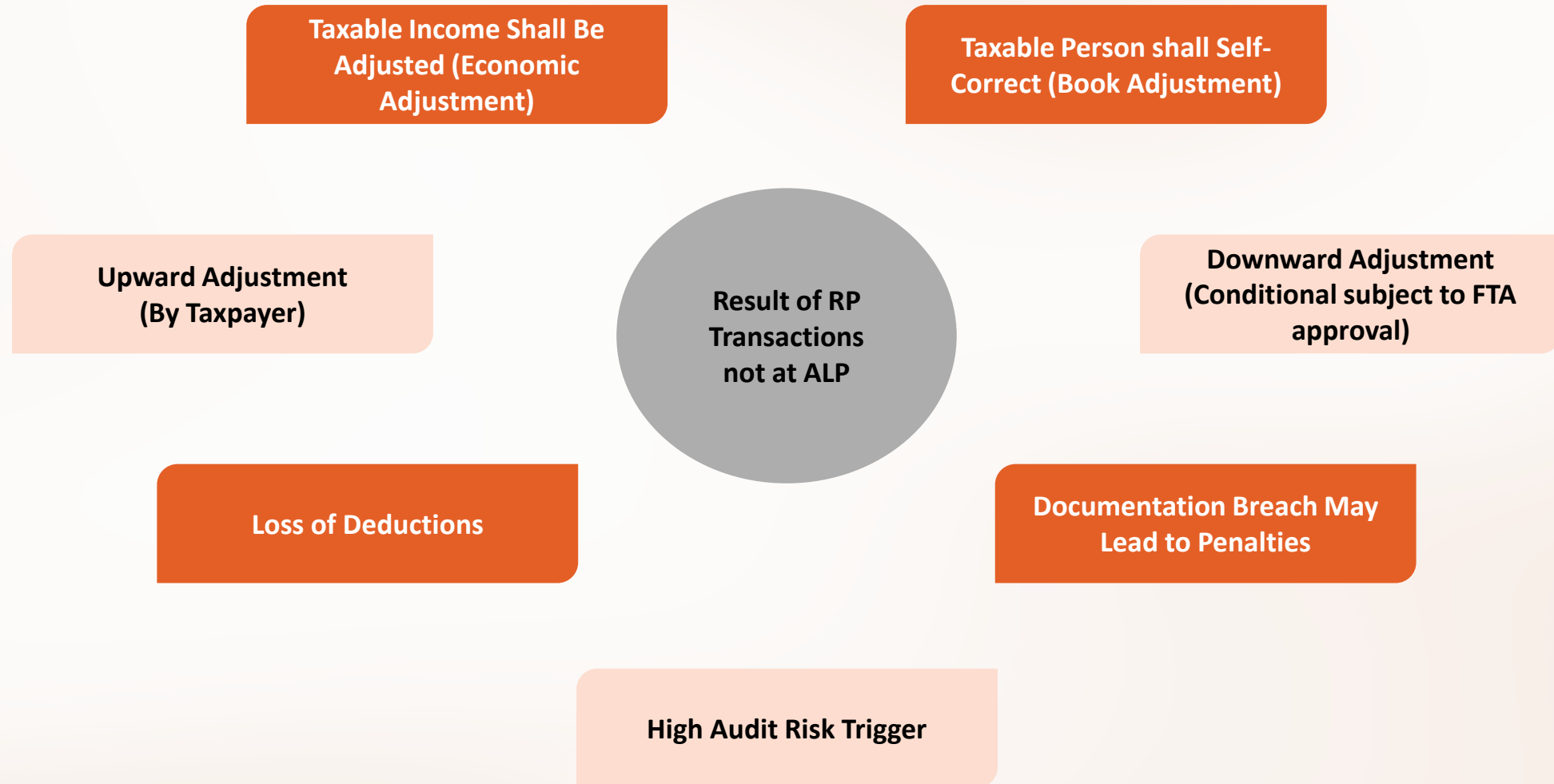
# Benchmarking steps for Connected Person payments





**What if No ALP is  
maintained?**

# If Transaction not @ ALP – RP Transactions



# Intra Group Services (Para 7.2 of TP Guide)

## 7.2.3.5. Profit mark-up

In determining the arm's length charge, the service provider should apply a mark-up to all costs that are not pass-through in nature.<sup>28</sup> The mark-up should be determined using comparable data. However, to reduce the compliance burden on Taxable Persons, this Guide adopts the simplified approach provided under Chapter VII of the OECD Transfer Pricing Guidelines, whereby certain low value-adding intra-group services may be charged out at a cost-plus 5% mark-up without the need for a detailed benchmarking analysis. In general, low value-adding intra-group services should meet the following criteria:

- the services are of a supportive nature;
- they are not part of the core business of the MNE Group (i.e. not creating the profit-earning activities or contributing to economically significant activities of the MNE Group);
- they do not require the use of unique and valuable intangibles and do not lead to the creation of unique and valuable intangibles; and
- the services do not involve the assumption or control of substantial or significant risk by the service provider and do not give rise to the creation of significant risk for the service provider.
- accordingly, the following activities would not qualify for the safe harbour outlined in this section:
  - services constituting the core business of the MNE Group;
  - research and development services;
  - manufacturing and production services;
  - purchasing activities relating to raw materials or other materials that are used in the manufacturing or production process;
  - sales, marketing and distribution activities;
  - financial transactions;
  - extraction, exploration, or processing of natural resources;
  - insurance and reinsurance; and
  - services of corporate senior management.

### Classify into:

**1.** Pass-through (at cost), **2.** Low-Value Adding Services (5% mark-up), **3.** High-Value Adding Services (benchmark-based).

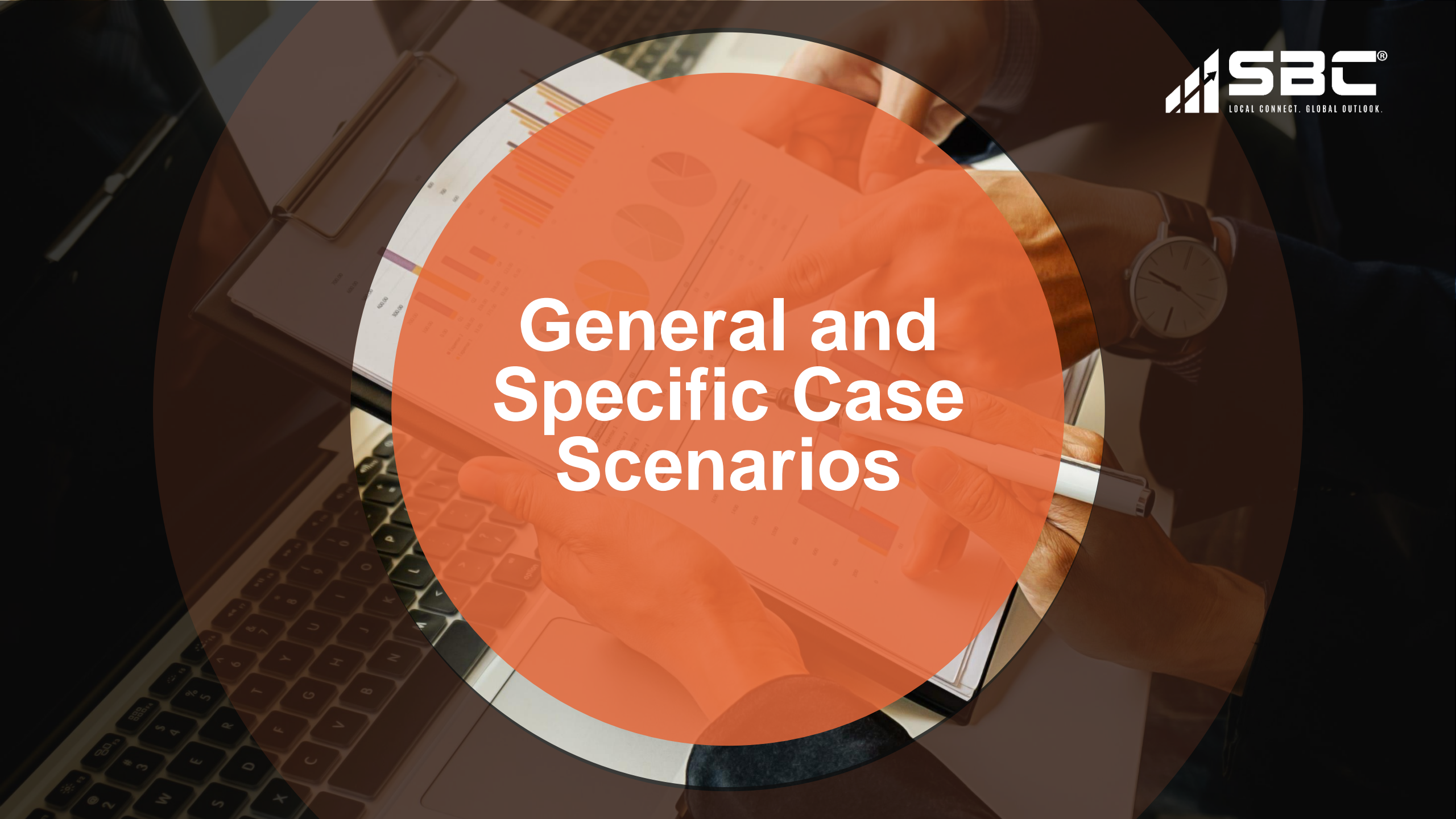
Salaries paid on behalf must be analyzed case-by-case — **could be LVA, HVA, or pass-through.**

Avoid defaulting all support charges to cost-to-cost — **examine actual function** and benefit.

Only one entity may employ the group's KMPs and substance — **justify charges** to others accordingly.

Intercompany agreements should detail **service scope, cost base,** and basis of allocation clearly.





# General and Specific Case Scenarios

**01**

**FAR analysis** alone does not trigger POEM (Para 4.1.4 of Tax Procedures Guide) or PE risk (Para 7.6 of TP Guide).

**04**

Limit strategic, corporate, or operational functions in the UAE to avoid **Non-Resident POEM exposure**.

**02**

**KMP location** and **decision-making control** are key PE/POEM indicators.

**05**

UAE entities offering **backend/support services** to NR AEs don't create PE unless there's control or contract negotiation.

**03**

**FAR documentation** and **intercompany agreements** must clearly define responsibility boundaries.

## Royalties / License Fees for IP (Para 7.3.3 of TP Guide)

### DEMPE

The distinction between legal and economic ownership is crucial, as IP registration alone does not confer **DEMPE entitlement**.

### USAGE

The capitalization of IP and IP license agreements should align with actual **usage and ownership**.

### NEED BENEFIT

A thorough "**need-benefit**" test must be applied, as incidental benefits do not justify royalty charges.

### DOUBLE DIPPING

**Double-dipping** should be avoided by refraining from charging royalties while incurring brand/marketing costs locally without clear value segregation.

# Substance Over Form & Conduct Over Contract



Loans must be structured as **genuine debt**, not as disguised capital (quasi-equity).



Shareholder loans should include clear terms, repayment schedules, and interest clauses to ensure **proper documentation**.



**Benchmark interest rates** by using tools like LoanConnector, Reuters, or local lending rates, based on the source of funds.



**Connected person** or **individual loans** introduce TP sensitivity, as they may be deductible at the entity level but not taxable for the individual.



There is a **dual risk** if both thin capitalization limits and the ALP are violated, potentially leading to full disallowance.



**Key loan terms**, must be carefully reviewed for accurate transfer pricing benchmarking.

# Asset Rentals between Group Entities

Use **FMV rental** benchmarks where available (independent valuations preferred –Other Method)

For fully depreciated assets, **revalue** based on additional **useful life** and revise NBV accordingly

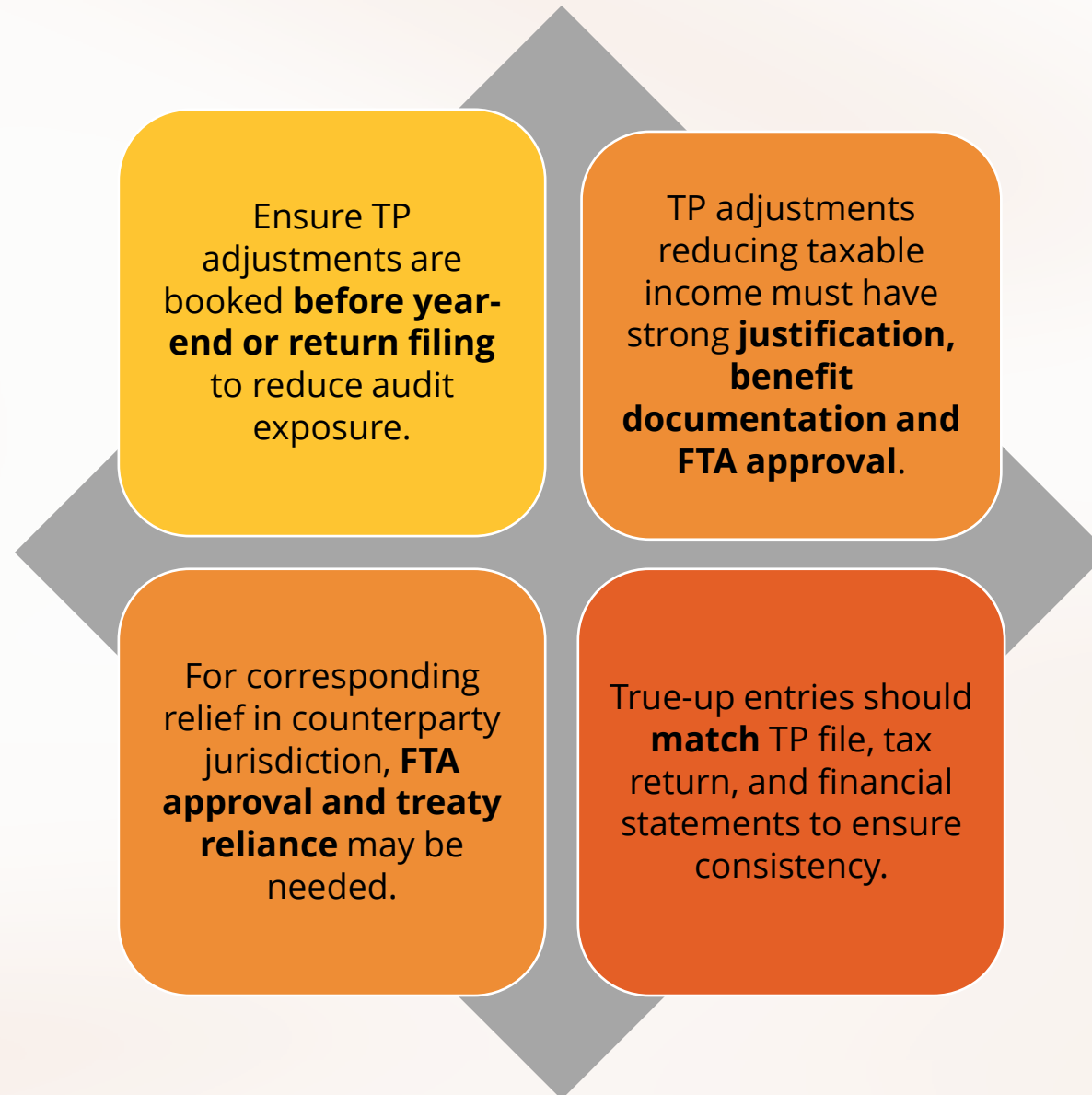
Consider **sale vs. lease** interplay for customs impact and import duties

If not available, fallback to **NBV + mark-up** if **NBV is 65–75%** of original cost (Less Depreciated)

TP, VAT/customs, and FS treatment must **align**



## TP Adjustments & Timing (Para 8.2 of TP Guide)



# Interplay of CT Provisions with TP Provisions

### SBR

Article 21

- TP documentation not required, **but ALP still applies.**
- FTA may still **audit related party pricing if it reduces taxable income** in corresponding RP.

### BRR

Article 27

- TP rules apply **before and after the restructuring.**
- Valuations used for **asset transfers must reflect ALP.**
  - TP audit **risk increases** where restructuring **shifts profit centers.**

### Tax Group

Article 40

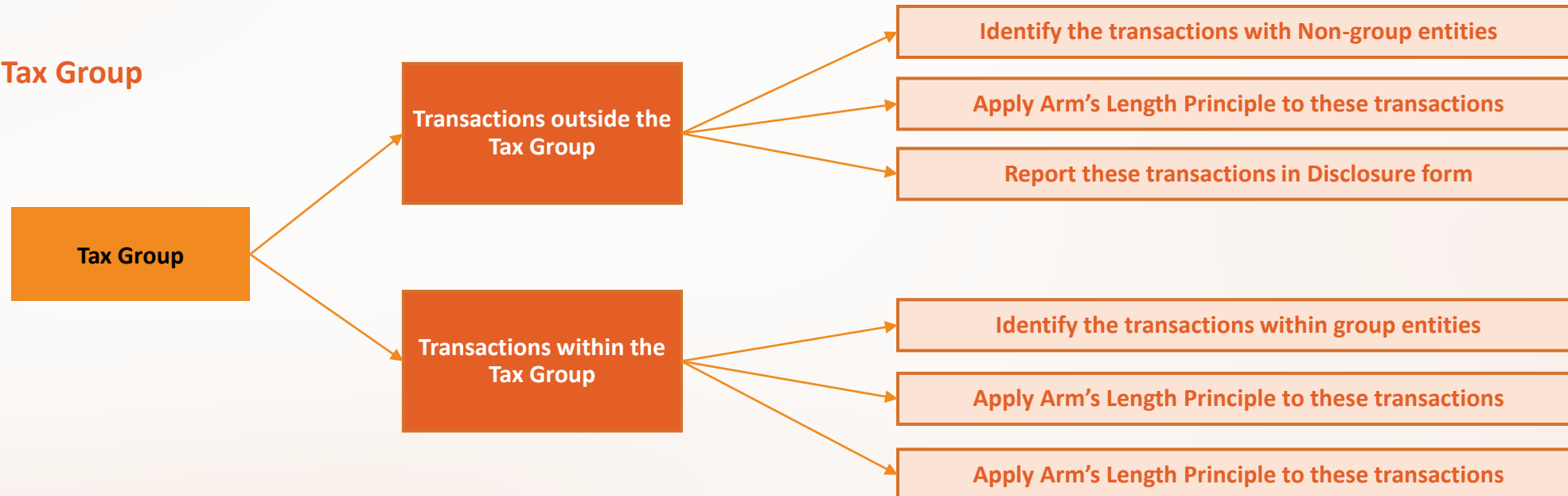
- Transactions **within group advised to be at ALP** for consistent TP Policy implementation.
  - Mispricing **affects group's consolidated taxable income** and EBITDA threshold.
- ALP shall meet while **attributing the income** between members of the Tax Group

# Special Cases

## Small Business Relief (SBR)

Scenario 1: If SBR is elected		Scenario 2 : If SBR is not elected	
Taxable income	✗	Taxable Income	✓
Deductions, Exemptions & Reliefs	✗	Deductions, Exemptions & Reliefs	✓
Transfer Pricing Documentation	✗	Transfer Pricing Documentation	✓
Arms Length Principle	✓	Arms Length Principle	✓

## Tax Group



# Upward and Downward Adjustment

## Corporate Tax Return

### Transactions with Related Parties and Connected Persons

Were there any transactions with Related Parties in the current Tax Period?

☒ Yes ☐ No

Description	Total Amount (AED)
Additions as a result of adjustments to transactions which were not at arm's length (AED)	<input type="text"/>
Deductions as a result of adjustments to transactions which were not at arm's length (AED)	<input type="text"/>

**FTA Approval  
not required**

**FTA Approval  
required**



# Transfer Pricing - Myths and Misconceptions (1/2)



Transfer pricing is a critical area of compliance, ensuring that transactions between related parties adhere to the ALP and reflect fair market value. However, as TP regulations evolve, various myths and misconceptions have emerged in the marketplace. These misunderstandings can lead to non-compliance risks, audit challenges, and potential penalties for companies.

We've identified certain myths that could significantly impact TP compliance and financial reporting. The following table outlines these misconceptions and provides the correct interpretation enabling Taxable Persons to make informed and compliant decisions.

Myths & Misconceptions	Correction
TP benchmarking is only necessary when the AED 200 million threshold for a local file is breached.	TP benchmarking is required for <b>all related party transactions</b> , regardless of thresholds, to ensure compliance with Arm's Length Principle (ALP).
ALP analysis isn't required if specific thresholds in the TP Disclosure Form (DF) aren't met.	ALP analysis is required for all related party transactions. <b>Thresholds in the TP Disclosure Form only determine reporting requirements, not compliance obligations.</b>
TP compliance can rely solely on internal comparable analysis without needing external TP database review.	<b>External TP database reviews are necessary</b> to ensure that internal comparables meet market standards and provide reliable ALP compliance.
If there's no year-end TP compliance requirement (like TP DF, Local File, Master File, or CbCR), then there are no TP obligations.	TP obligations apply regardless of whether specific filing requirements (TP DF, Local File, etc.) are met, as <b>all transactions with Related Parties must follow ALP.</b>
ALP review or TP adjustment is unnecessary for free zone entities, small businesses, or loss-making entities that do not have tax cash outflows.	ALP applies to all entities engaged in related party transactions, <b>regardless of their tax liability or profitability.</b>

## Transfer Pricing - Myths and Misconceptions (2/2)

Myths & Misconceptions	Correction
Connected person (CP) payments can be made up to TP DF thresholds without substantiating market value or ALP.	All CP payments must comply with <b>ALP, and market value substantiation</b> is required regardless of threshold limits in the TP DF.
The Master File is specific to UAE entities and does not need to capture group-level information.	The Master File should <b>capture group-level information</b> to provide a comprehensive overview of the group's TP policy, as required under UAE TP regulations.
Interest-free loans meet ALP requirements under UAE TP regulations.	Interest-free loans <b>typically do not meet ALP</b> standards and should include a market-based interest rate unless specific exemptions apply.
Cost allocations are permissible on a simple cost-to-cost basis.	Cost allocations must adhere to the ALP and typically require an <b>arm's-length mark-up</b> rather than a simple cost-to-cost allocation.
The definition of a Related Party (RP) is driven solely by ownership exceeding 50%, not by control or significant influence.	A Related Party <b>includes entities with significant influence or control</b> , not just those with over 50% ownership.

### QFZP

Article 18

- TP compliance is mandatory for **maintaining 0% tax relief** on Qualifying Income.
- Payments to or from mainland or foreign RPs **must be at ALP**.
- Improper pricing could **result in full 9% taxation**.

### Foreign PE

Article 24

- Article 24 requires **PE income to be computed using ALP**.
- Dealings between **head office and foreign PE shall be at arm's length**.
- Requires a "**hypothetical separate enterprise**" analysis.

### Qualifying Group

Article 26

- Book-value transfer relief is conditional; **TP applies if subsequent sale** occurs.
- TP crucial for **proving commercial rationale** in group IP or asset reallocation.
- TP documentation supports eligibility for the **2-year claw back protection**.

### Connected Persons

Article 36

- Salary and benefits to owners or connected employees **must reflect market value**.
  - TP needed to **justify high remuneration**, housing, or allowances.
- Article 36 **disallows excessive** or disguised profit extraction.

### Interest Limitation

Article 30

- ALP applies to interest charged by or to **Related Parties**.
- **Interest-free or excessive-rate** loans must be benchmarked.

### No Formal Agreement

- **TP applies** even without written agreements.
- Substance-over-form doctrine mandates that **implicit arrangements be priced at ALP**.
- FTA may **reconstruct income or disallow deductions** if pricing is unsupported.

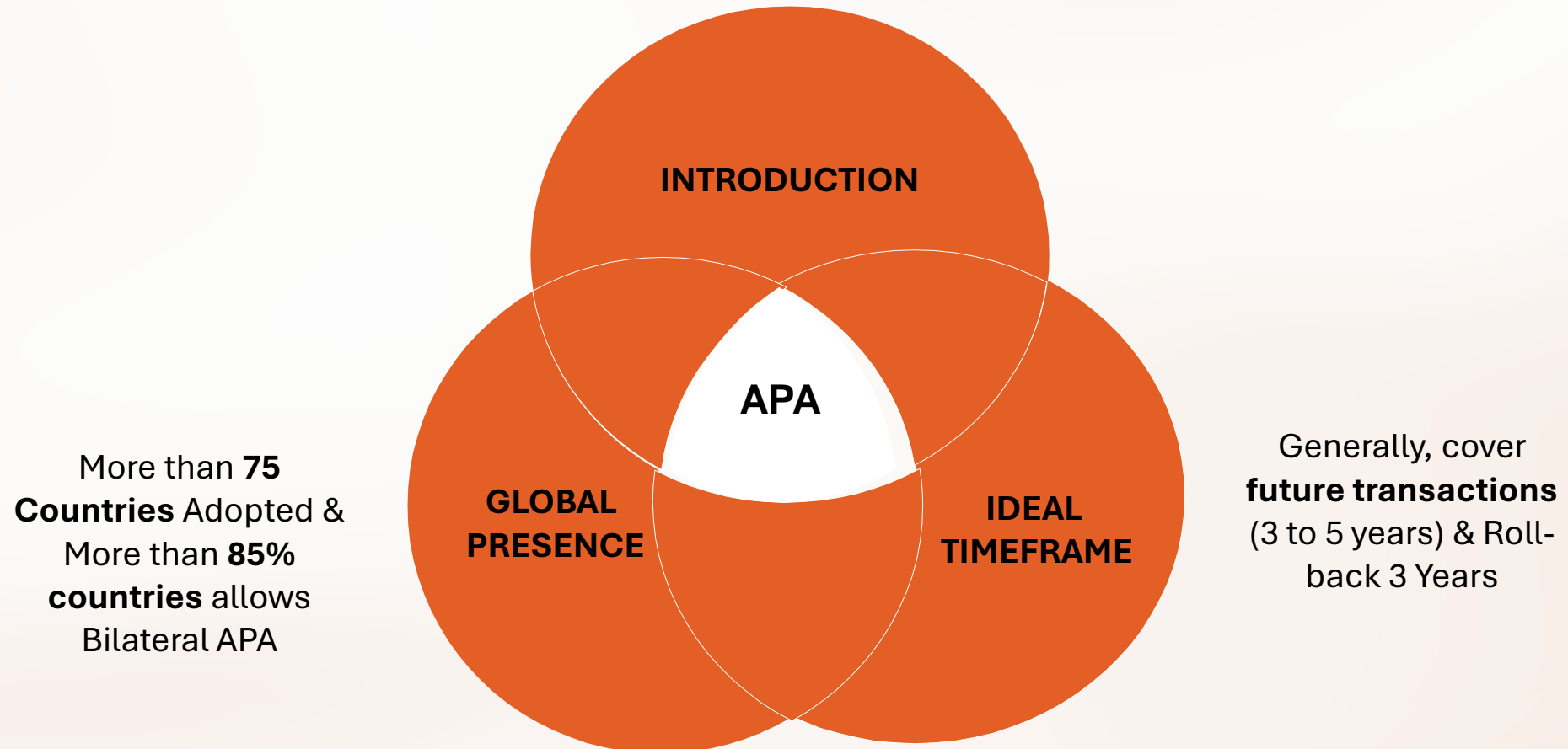


# Advance Pricing Agreements

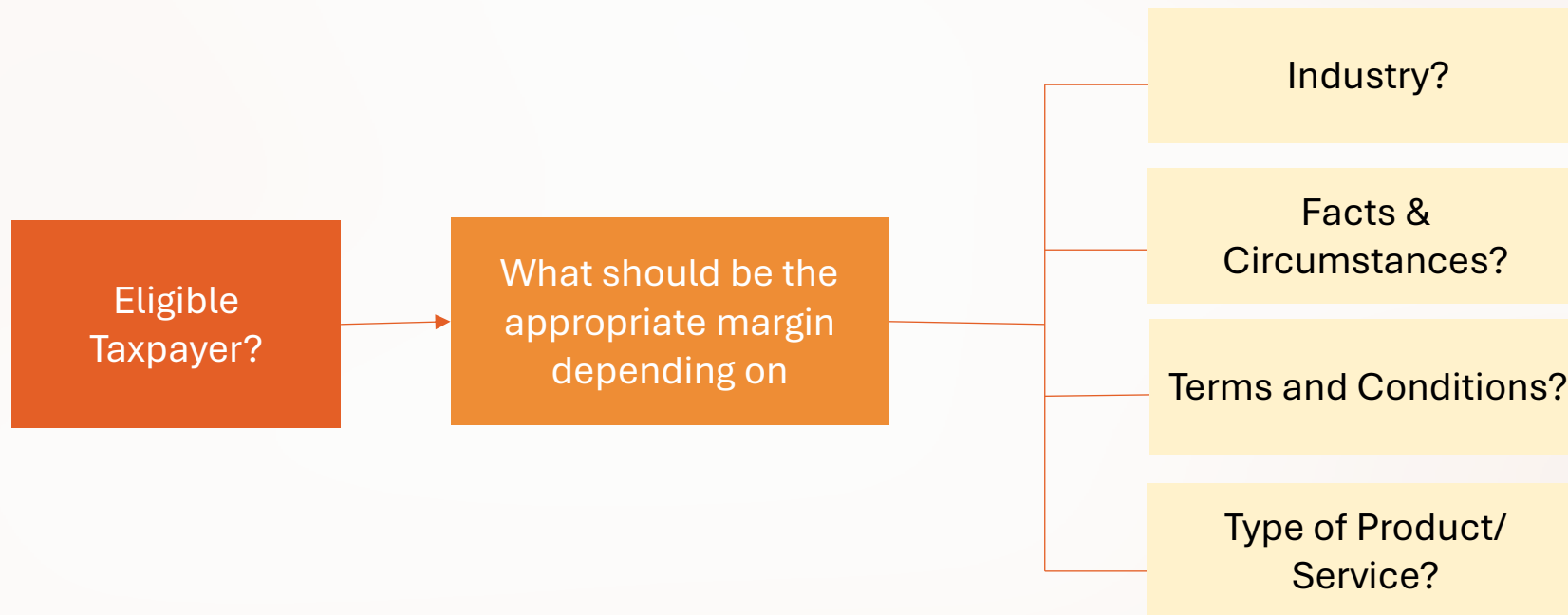


# What is APA?

**Formal agreement between a  
Taxpayer & Tax Authority &  
Determines the TP methodology for  
pricing**



## Who & for What APA is useful ?

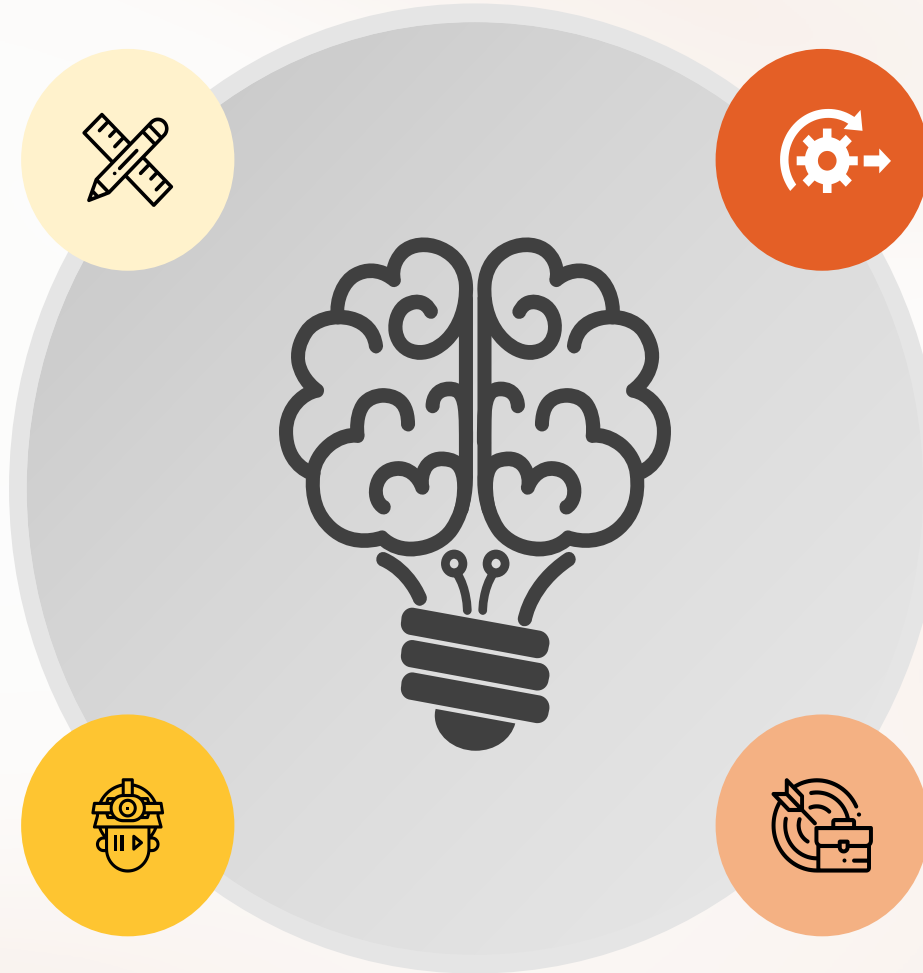


APA is the best possible solution for the dispute resolution mechanism in TP Arena!

# Advance Pricing Agreements in the UAE

The UAE is set to introduce its Advance Pricing Agreement (APA) program as part of its transfer pricing regulations, with **applications being accepted starting in Q4 2025.**

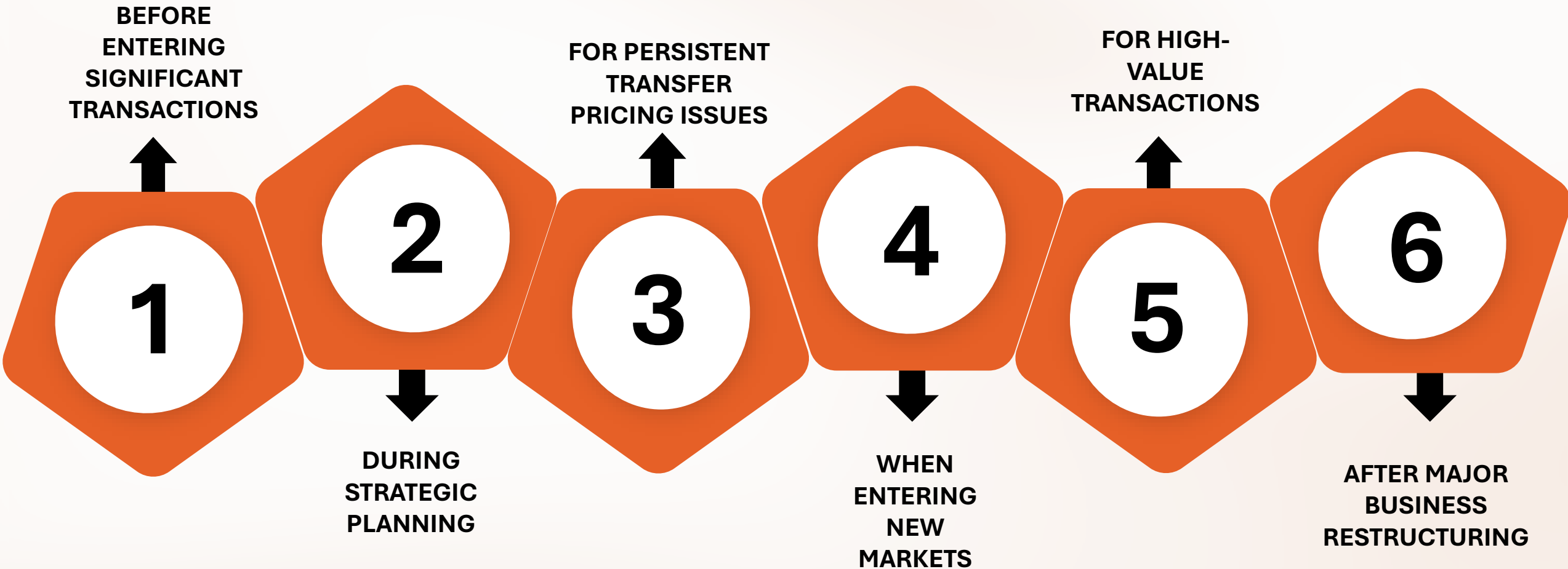
This initiative aims to provide certainty and **reduce disputes related to transfer pricing** by establishing clear guidelines in advance.



The program will likely include **unilateral, bilateral, and multilateral APAs**, aligning with global trends.

While specific details on eligibility, fees, and the application process are yet to be announced, the introduction of APAs is expected to help taxpayers **ensure compliance, minimize tax risks, and proactively resolve potential disputes** before transactions occur.

## When to apply for APA ?

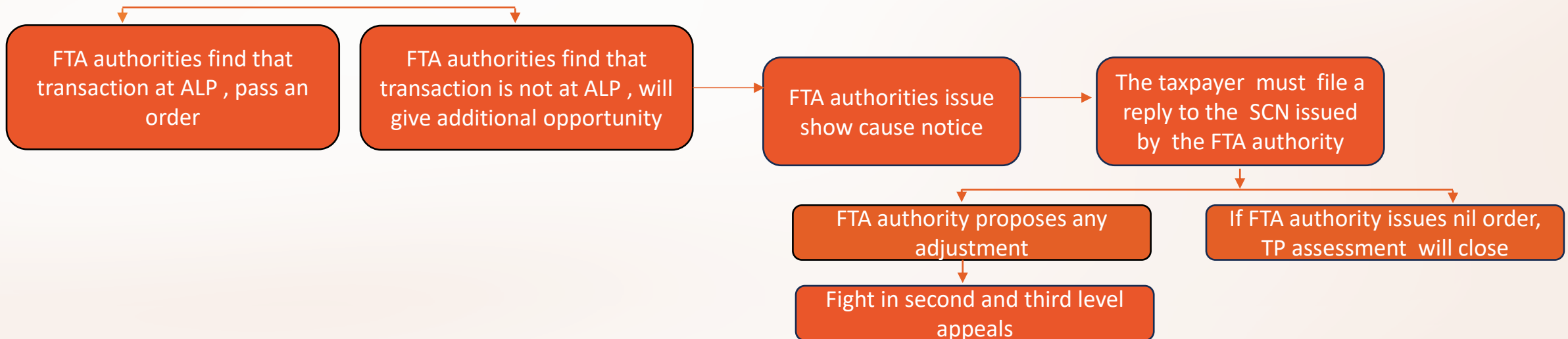
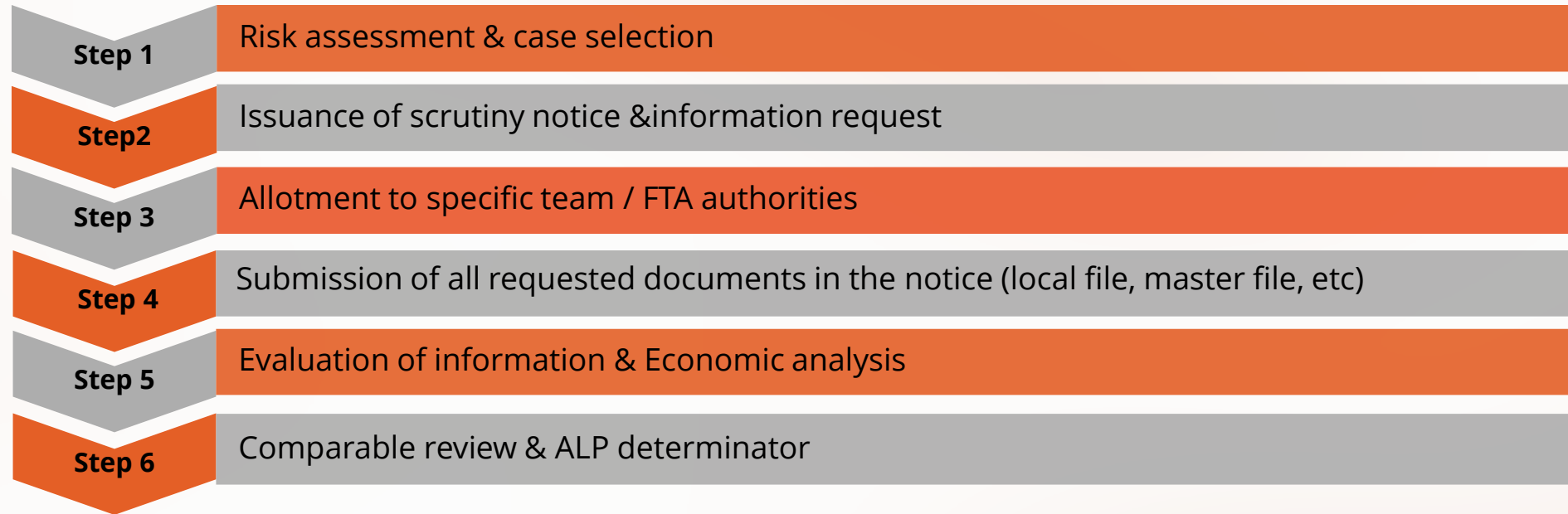




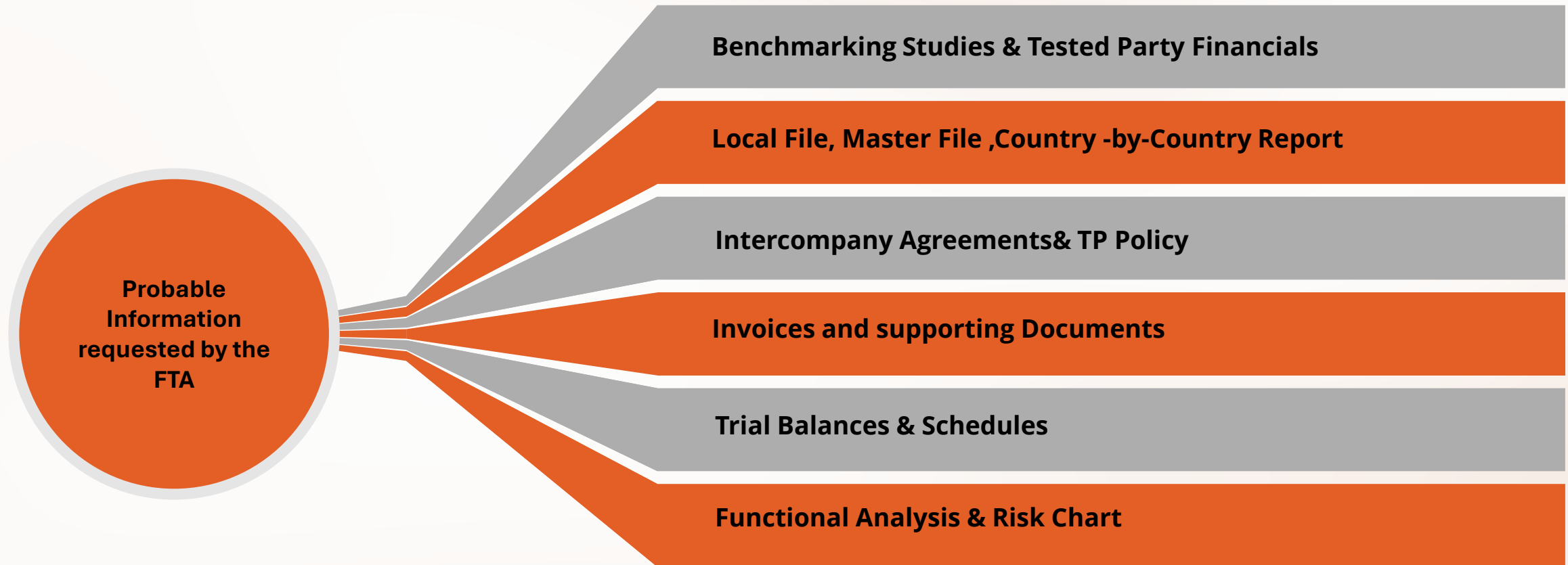
# Probable Audit Process by FTA



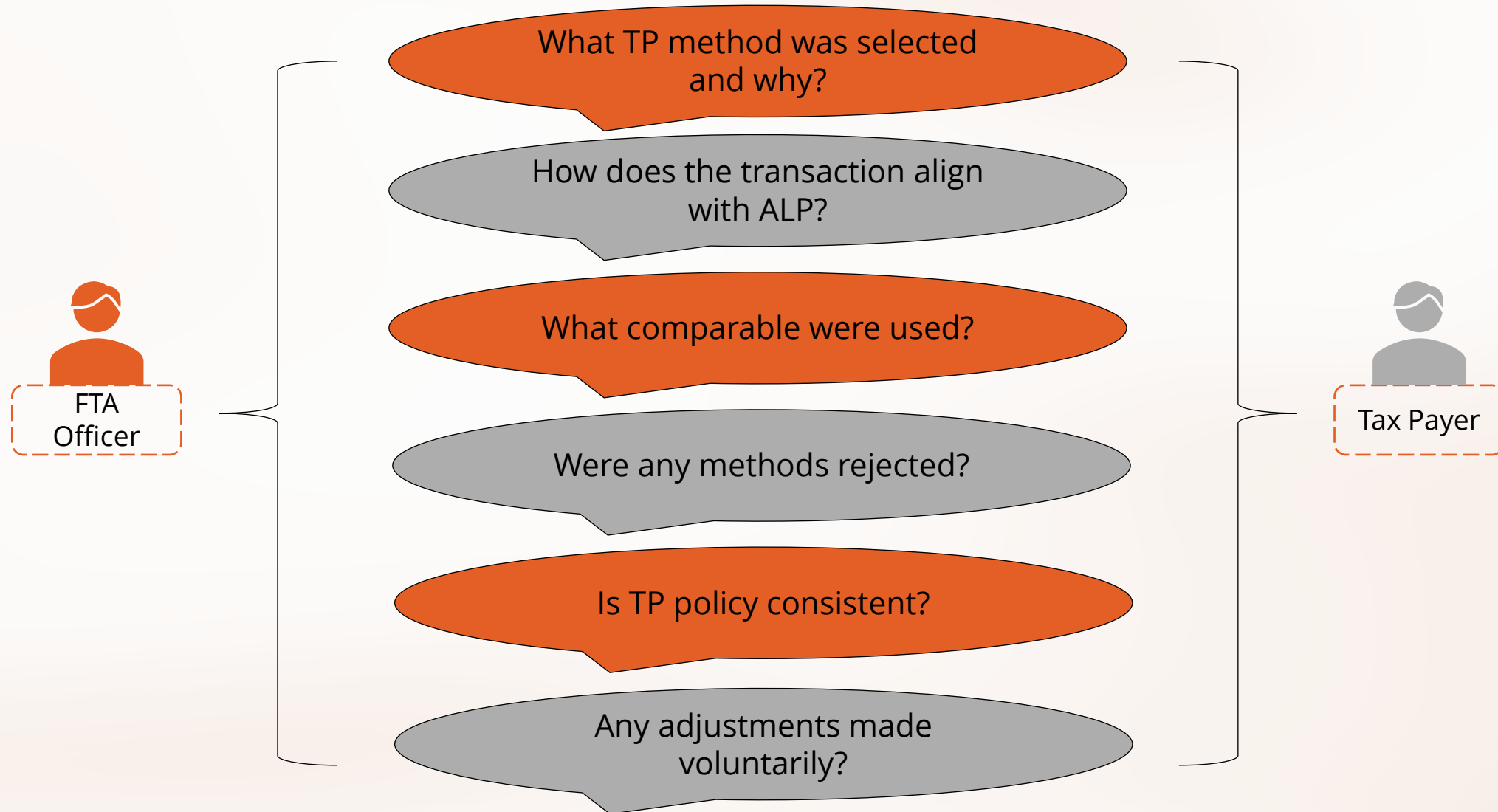
# FTA Probable Audit Process

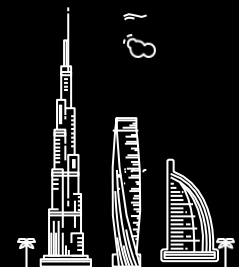


## Probable information requested by the FTA



## Expected Questions by FTA

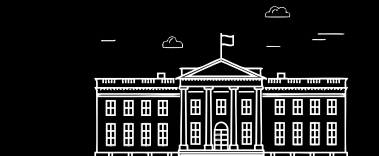


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# Thank You

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