



On track with Transfer Pricing in the UAE



Exploring the Transfer Pricing Landscape

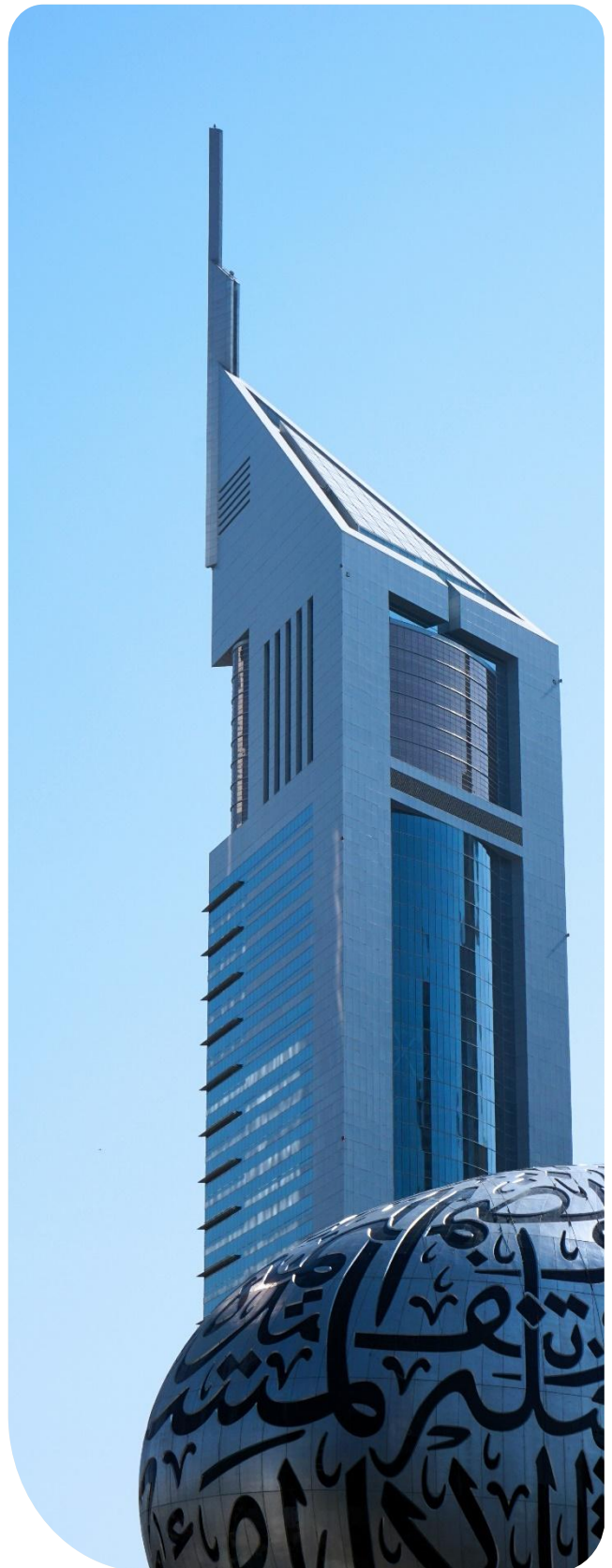


Introduction of the Transfer Pricing Regime

In December 2022, the Ministry of Finance of the United Arab Emirates (“UAE”) released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (“CT Law”) that introduces a transfer pricing (“TP”) regime aligning broadly with the OECD TP Guidelines (“OECD TPG”).

The introduction of CT Law was followed by various Ministerial Decisions covering different tax topics, complemented by the issuance of a Transfer Pricing Guide (“TP Guide”) in October 2023, which provides clarifications and examples to help businesses navigate complex TP regulations.

The UAE CT Law took effect for financial years beginning on or after June 1, 2023. Accordingly, the first reporting period has now commenced for many businesses, with the majority having completed their CT and TP impact assessments. Therefore, it is now imperative to proceed with the appropriate tax implementation measures.





Embracing the Arm's Length Principle

Similar to many other countries following the OECD TPG, the UAE requires transactions between Related Parties and Connected Persons to comply with the arm's-length principle ("ALP"), ensuring its results align with those between unrelated parties under similar circumstances.

The TP legislation extends beyond mere cross-border intra-group transactions and includes domestic dealings. Furthermore, for Qualifying Free Zone entities seeking to benefit from the preferential 0% CT rate on their Qualifying Income, adherence to ALP is one of the key conditions.



Highlighted actions for taxpayers

With the introduction of TP legislation in the UAE, it is imperative for businesses to take actions to evaluate the potential TP impact, conduct an appropriate implementation to mitigate TP-related risks, and comply with the TP regulations. Additionally, to ensure TP compliance, taxpayers must establish a robust TP policy and maintain comprehensive TP documentation, which is contingent upon fulfilling specific criteria.



Navigating TP with Grant Thornton

In this dynamic tax environment, the Grant Thornton Transfer Pricing team can assist you with a range of services tailored to navigate these TP changes effectively. From developing strategic TP policies to ensuring comprehensive documentation and compliance, our experts are here to guide you through every aspect of the new TP legislation.

How can we assist you?

Impact Assessment

- Reviewing ownership structure and financial statements to identify “Related Parties” and “Connected Persons” Transactions from TP perspective
- Evaluating the practical consequences of TP models on business operations
- Assisting in reviewing / drafting agreements from a TP perspective
- Gathering critical details of the business and performing a functional and risk analysis through key stakeholders
- Identifying key risk areas and presenting our findings on optional TP methodologies that are recommended



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Planning & Structuring

- Designing TP policy (with functional and economic analysis, including benchmarking studies to set up appropriate TP methodologies)
- Reviewing existing TP models, identifying potential risks, and providing recommendations on their mitigation
- Conducting on demand customised TP workshops
- Performing value-chain and supply chain analysis, transformation, and structuring of optimal operational models
- Supporting Intellectual Property planning
- Conducting business model alignment with substance



02

Reporting and Compliance



- Preparing, localizing, and updating TP documentation, including Local File and Master File, to comply with local statutory requirements
- Preparing Country-by-Country Reporting (“CbCR”)
- Preparing the TP Disclosure Form
- Assisting in substantiating the economic and commercial rationality / benefit analysis of intragroup services and intangible assets

03

Individual Tax Rulings (“ITRs”) and Advanced Pricing Agreements (“APAs”)



- Assisting in preparing ITRs, facilitating internal discussions, and consultations with subject matter experts to navigate the evolving tax landscape
- Developing APA strategies and supporting within APA process

04

Audits and Dispute Resolution



- Supporting TP audits and Mutual Agreement Procedures (“MAP”) procedures
- Navigating the complexities of increased TP audits and controversies due to the global integration of TP legislation
- Leveraging extensive experience across multiple jurisdictions to assist in TP disputes, including strategy development for settlements and litigation support

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Contact our Tax team

For more information on Tax related issues, reach out to our team of experts on the latest Tax developments within the UAE and the Middle East region.



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