



Background

The OECD has recently updated the country profiles of 25 countries including Argentina, Australia, China, Germany, Japan, Italy, Poland, US, UK, etc., and included the Country Profile for 5 Countries for the first time namely Cabo Verde, Guatemala, Thailand, United Arab Emirates (“UAE”) and Zambia.

Transfer Pricing (“TP”) Country Profiles provide concise overview of a nation's transfer pricing legislation and practices, as published by the OECD. It briefly describes the Transfer Pricing principles and policies followed by the country. It provides a snapshot of the Domestic Transfer Pricing legislation adopted by the country covering arm's length principle, TP methods, comparability analysis, intangible property, intra-group services, cost contribution agreements, documentation, administrative approaches to avoiding and resolving disputes, safe harbour and other implementation measures.

According to the OECD release, the latest country profiles present new information on country-specific legislation and practice regarding the TP treatment of hard-to-value intangibles and the simplified and streamlined approach for baseline marketing and distribution activities.

This Alert explores the latest Transfer Pricing Country Profile for the UAE as released by the OECD.



United Arab Emirates TP Country Profile

UAE implemented Corporate Tax Law and Transfer pricing regulations¹ with effect from June 2023 and since then, the UAE Government has been demonstrating commitment in taking rapid measures to align with international best practices. One such radical step is the valuable information provided by the FTA to OECD which paved way to release the TP Country profile in such a short timeline.

The domestic TP framework of UAE is predominantly consistent with OECD Transfer Guidelines (“TPG”)². Some of the key aspects covered in the OECD Country profile of UAE is captured in the ensuing paragraphs:

¹ Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses

² OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations

Arm's Length Principle

- Domestic TP Framework of UAE has reference to Arm's Length Principle ("ALP").
- At present no explicit reference to OECD Guidelines in *UAE Corporate Tax Legislation*. However, UAE transfer pricing guidance has reference to *2022 Transfer Pricing Guidelines* which acts as an interpretation of the arm's length standard for UAE Corporate Tax purposes

Related Party Definition

Related party is defined in Article 35 of UAE Corporate Tax law. While the definition is broadly aligned with OECD's definition of Associated Enterprise³, it explicitly covers a wide range of relationships, including kinships. It covers the following persons:

- Natural person who are related within 4th degree of Kinship or affiliation, including by way of adoption or guardianship.
- Natural person with his/her related parties who are shareholders in the juridical person and owns 50% or more of ownership interest
- Natural person who controls the Juridical person.
- Juridical person with its Related Parties owns a 50% or more ownership interest in the other juridical person.
- Juridical person with its Related Parties Controls the other juridical person.
- A Person and its Permanent Establishment (Including Foreign Permanent Establishment).
- Two or more Persons that are partners in the same Unincorporated Partnership.
- A Person who is the trustee, founder, settlor or beneficiary of a trust or foundation.

Key differences

Category	OECD	UAE FTA
Coverage	High-level coverage - direct / indirect participation in management, capital or control	Expansive than OECD definition
Kinship	No specific mention about kinship	Upto 4 th degree of kinship
Threshold for control	No threshold	Explicit definition of control with 50% threshold
Connected persons	No specific definition	Separate category and rules for connected persons

³ "Article 9 – Associated Enterprises" of OECD Model Tax Convention on Income and on Capital

Transfer Pricing Methods

- CUP Method, RPM, CPM, TNMM, Profit Split Method, and Other Method
- Other method is permitted to be used only if the taxpayer demonstrates that none of the five methods can be applied
- No hierarchy of methods and relies on most appropriate method

Comparability Analysis

- Comparability – Preference to Domestic comparables. In case of non-availability, regional/global comparables would be accepted.
- Use Interquartile range for Arm's length computation
- Comparability adjustments may be undertaken if it enhances the reliability and comparability of the selected comparables

Dispute Resolution

- Tax rulings – to provide TP positions on Related party transactions ("RPT")
- Mutual Agreement Procedures ("MAP") – MAP guidance available
- Advance Pricing Agreement ("APA") - Currently no live APA programme in place, however is expected to be released during 2026⁴

Attribution of Profits to Permanent Establishment

- Based on the relevant tax treaties only and Authorized OECD Approach ("AOA") is not adopted in the domestic corporate tax Law

Other Legislative Aspects/Administrative Procedures

- No secondary adjustment provision;
- Year-end adjustments will be made in the self-assessment tax return;
- Allows unilateral corresponding adjustment

Safe Harbours

- Small Business Relief regime - Companies with turnover less than AED 3 million in each FS prior to FY 2027 are exempted from TP Documentation requirements, no taxable income deemed to be arisen, only simplified tax return is required

⁴ OECD UAE Transfer pricing Country profile October 2025

Simplified & Streamlined Approach for Baseline Marketing & Distribution Activities

- No position has yet been taken on the adoption of **Amount B**, however UAE will respect the outcome of counterparty if they have adopted Amount B as it is part of the IF framework

Transfer Pricing Documentation

- Master File, Local File and CbCR – applicable to entities on fulfilling the specific thresholds
- Nevertheless, sufficient records to be maintained to support arm's length nature of RPT / payment to connected persons.

TP Disclosure Form

- Taxpayers to file disclosure form while filing the corporate tax return, disclosing transactions with related parties / connected persons where the aggregate value exceeds the respective threshold
- TP Penalties – no penalties separately. Only Corporate Tax penalties for not maintaining appropriate records and information would be applicable for not maintaining appropriate transfer pricing records for RPT.

Audits

- Domestic TP framework doesn't permit use of secret comparables for assessment purposes
- FTA team development – hiring of personnel from matured jurisdictions to ensure robust team and efficient assessment processes.

Others

- Intra Group services ("IGS") – Largely follows OECD Guidelines and allows application of simplified approach for Low value adding IGS
- No specific guidance to Hard to Value Intangibles ("HTVI") – considering the complexity
- Allows Cost contribution agreements



Our Thoughts

Inclusion of UAE in the TP country profiles by OECD marks a significant milestone in recognizing UAE's commitment to align with International TP standards. The UAE's domestic TP framework primarily reflects OECD principles and the upcoming developments relating to introduction of APA programme reinforces implementation of robust TP regime in the country.

Further the UAE Government's focus towards upskilling of tax policy and developing efficient team to handle the assessments and insistence to maintain records justifying the arm's length nature of RPT and payment to connected persons lay emphasis on the views of the FTA while conducting tax assessments. Therefore, the taxpayers ought to be abreast of the TP developments to ensure compliance with the TP regulations and readiness to growing governance requirements.

About us



VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of international taxation and transfer pricing. VSTN Consultancy has been awarded by International Tax Review (ITR) as Best Newcomer in Asia Pacific – 2024 and is ranked as one of the recommended transfer pricing firms. VSTN has also been nominated in 9 Categories under APAC, EMEA and Middle East Region ITR awards 2025. VSTN has its offices in India and Dubai.

Nithya Srinivasan, Founder of VSTN Consultancy, was named Middle East Transfer Pricing Practice Leader of the Year, recognizing her outstanding leadership and contribution to the profession. VSTN also received the Best Newcomer in the Middle East award from International Tax Review, showcasing its rapid growth and excellence in global transfer pricing advisory.

VSTN Consultancy has been honored with the Best Global Transfer Pricing Consultancy 2025 – India award at the prestigious Wealth & Finance Management Consulting Awards 2025.

Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy and drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbour filing, audit defense before all forums and dispute prevention mechanisms such as Advance Pricing agreement. VSTNs senior partners have been ranked in ITR in the list of recognized Practitioners .



VSTN Consultancy., © 2025. All Rights Reserved.