

UAE CORPORATE TAX UPDATE

A Strategic Framework for Transfer Pricing Certainty

**Understanding Advance Pricing Agreements
(APAs) under the UAE Corporate Tax Regime.**

Issued pursuant to the UAE Corporate Tax Law and FTA APA Guide.



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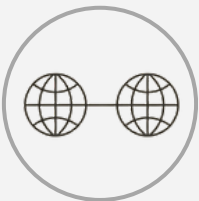
Moving from Retrospective Audits to Ex-Ante Certainty

The operationalisation of APAs represents a major evolution in the UAE transfer pricing framework, shifting focus toward dispute prevention.



Proactive Risk Management

Replacing reliance on retrospective audits and adjustments with forward-looking agreements.



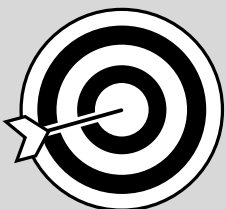
OECD Alignment

Adopting international best practices for transparency and predictability.



Certainty

Providing taxpayers with a mechanism to secure their tax position before transactions occur.



This is a shift from defense to strategy. APAs allow businesses to lock in their transfer pricing methodology, removing the ambiguity of future regulatory challenges.

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The Concept

Definition

An APA is a forward-looking agreement between the taxpayer and the FTA that determines the most appropriate transfer pricing method and establishes the arm's length outcome for specified transactions over a defined future period.



The Taxpayer Gains:

The taxpayer would obtain greater certainty by entering into an APA, particularly for complex transactions.



The FTA Gains:

Compliance and transparency regarding complex transactions.



The Binding Effect: *Once agreed, the APA binds both parties. If conditions are met, the FTA will not contest the arm's length price and will not challenge the TP methodology for covered transactions during the term.*

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Available Structures and Phased Implementation

Unilateral APA (UAPA)

CURRENTLY AVAILABLE



Agreement between the taxpayer and UAE FTA. Covers domestic and cross-border controlled transactions.

Status: Active

Bilateral APA (BAPA)

FUTURE PHASE



Agreements between two tax authorities via Mutual Agreement Procedure (MAP).

Multilateral APA (MAPA)

FUTURE PHASE



Agreements involving more than two authorities for global value chains.

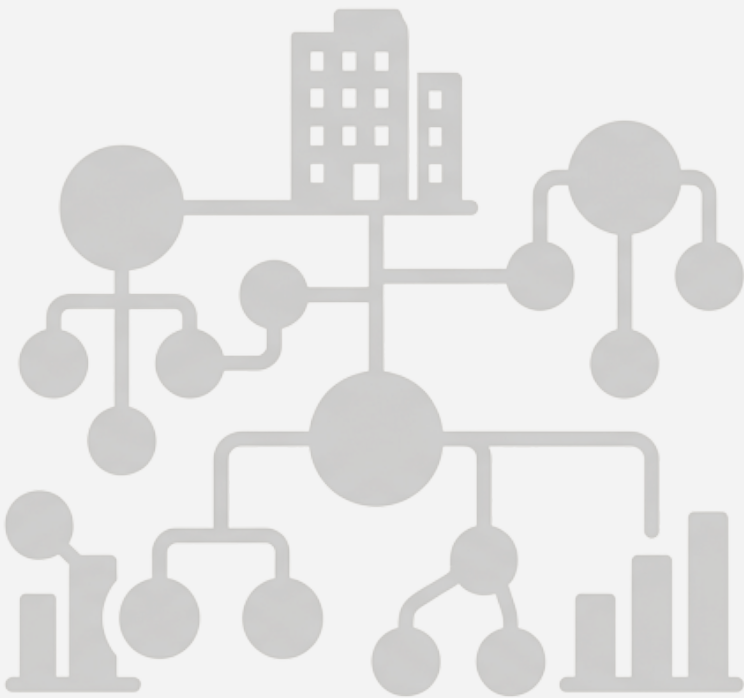


While the framework allows for international consensus (BAPA/MAPA), the current window is for domestic certainty via Unilateral agreements.

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Identifying the Ideal Candidate for an APA

APAs are designed for scenarios involving significant pricing uncertainty.



- ✓ Complex business models.
- ✓ High-value or non-routine transactions.
- ✓ Transactions that have been historically audited or disputed.
- ✓ Situations where benchmarking is judgment-intensive.

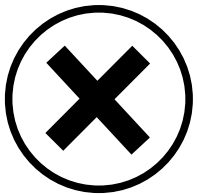


Scope of Transactions: *Applicable to both Domestic controlled transactions and Cross-border controlled transactions.*

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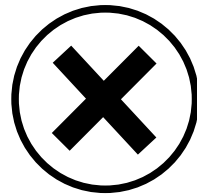
Strategic Exclusions and Limitations

APAs are reserved for material and complex matters. If certainty already exists or risk is low, an APA is not the appropriate tool.



Safe Harbour Transactions:

Excluded because pricing certainty already exists via the statutory safe harbour.



Low Value-Adding Intra-Group Services:

Excluded because the FTA considers the risk profile to be low.



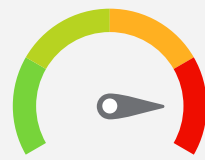
Implication: *If your transactions fall into these categories, standard documentation is sufficient; an APA application will likely be rejected.*

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The Materiality Threshold and Group Dynamics

The Flexibility Clause

The threshold is not absolute. Applications below AED 100M may be accepted if strong technical justification exists or the risk profile warrants advance certainty.



AED 100M

Benchmark per Tax Period
(assessed on arm's length basis)

Group Application Rule

For Tax Groups, the threshold applies at the Group Level, but only the Parent Entity may submit the APA.

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The Administrative Investment

Who Can File



The Taxpayer



Registered Tax Agent



Legal Representative

For Tax Groups, only the Parent Entity is eligible.

Fee Structure



New Application:
AED 30,000
(Non-refundable)



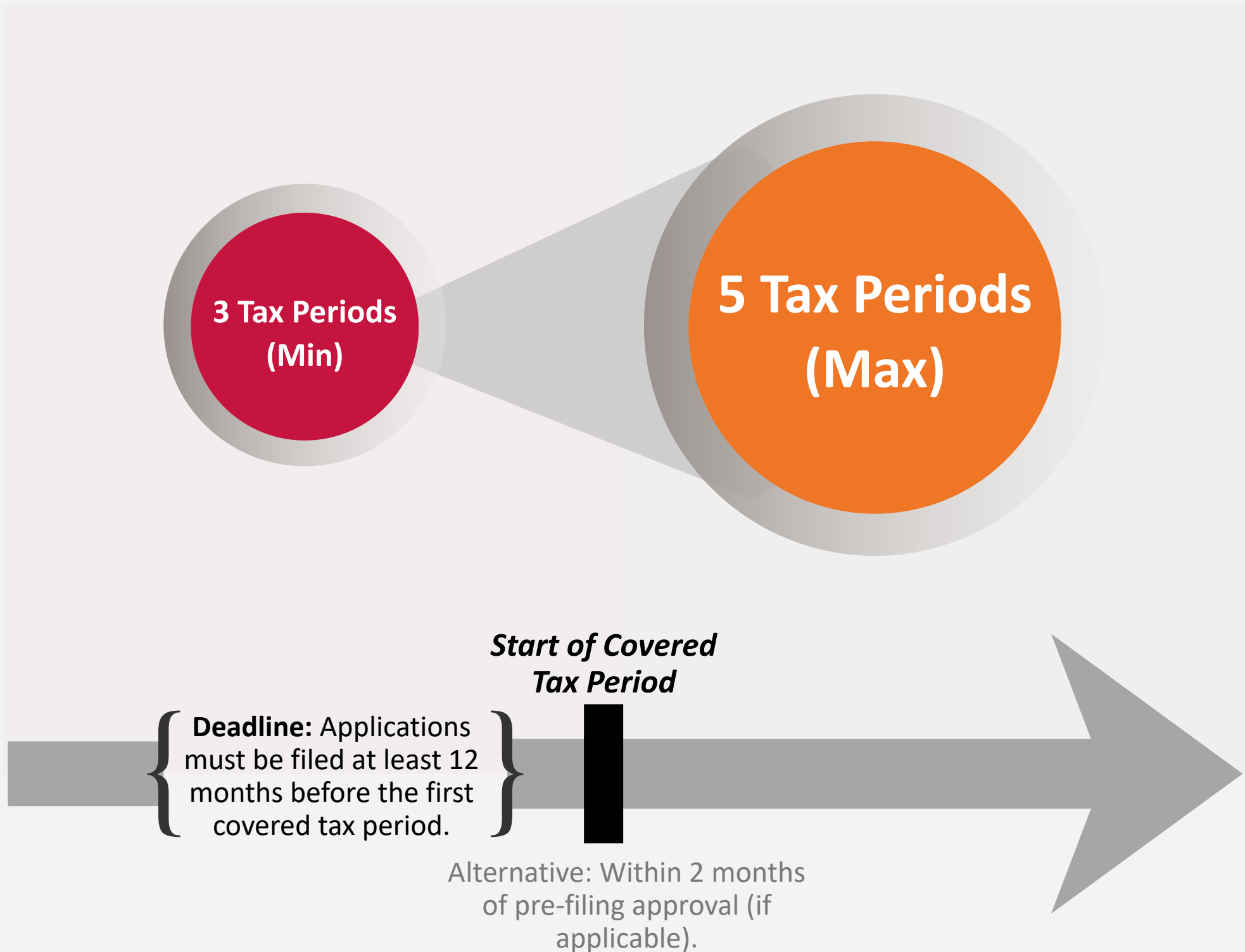
Renewal:
AED 15,000



These fees reflect the technical depth and administrative intensity required for the FTA to evaluate and monitor the agreement.

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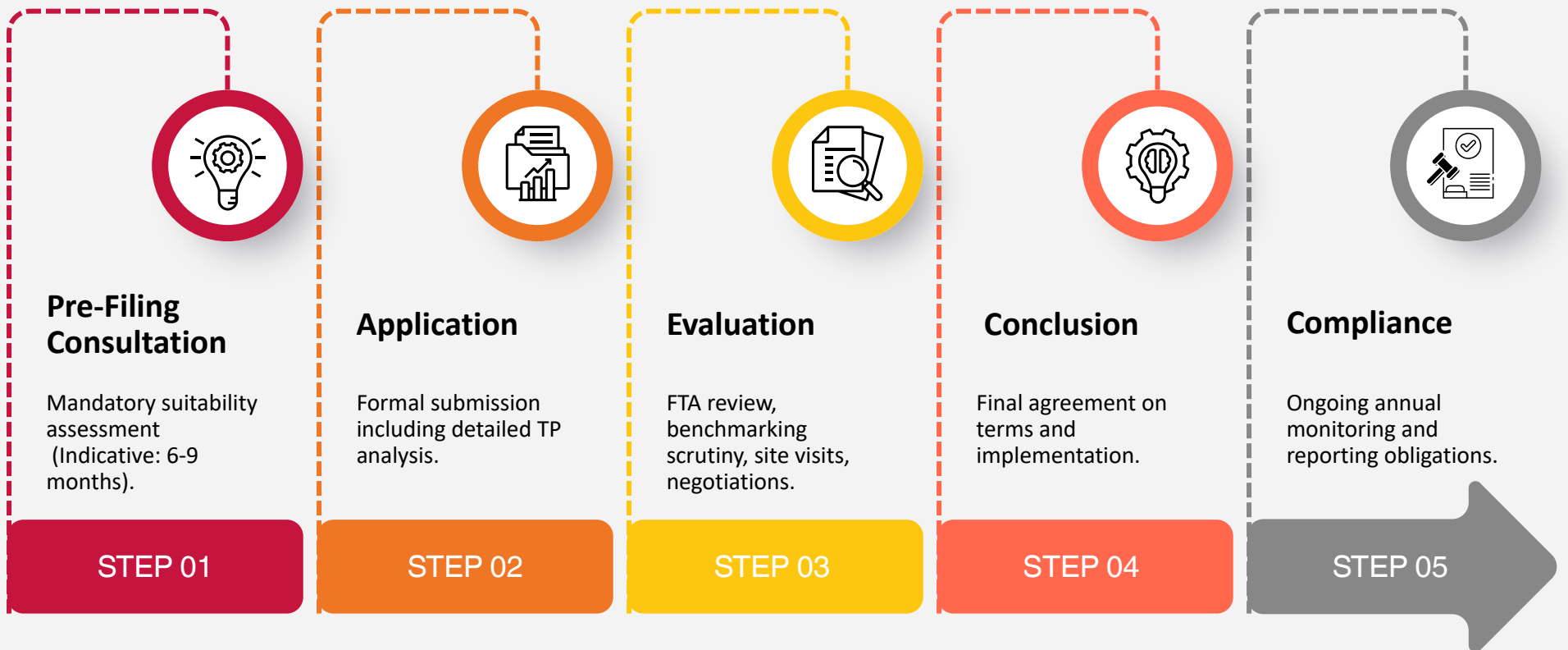
Validity Periods and Critical Deadlines



Implication: Timelines are OECD-aligned but strict. Missing the window delays certainty by a full fiscal year.

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The End-to-End APA Journey



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Maintaining the Deal: **Ongoing Compliance**



Annual APA Declaration required for each covered tax period.



Deadline:

- Must be filed within 90 business days of the APA signing, or...
- ...By the tax return filing deadline (whichever is later).



Purpose of Declaration:

- Confirm consistency with the agreed methodology.
- Validate that critical assumptions remain true.
- Monitor transaction behavior over time.

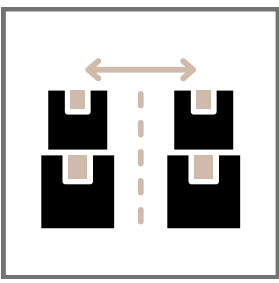
Risks of Revocation and Rejection

APAs demand exceptional documentation quality and governance discipline.
Protection can be lost due to:



Misrepresentation

Incomplete, misleading, or late information.



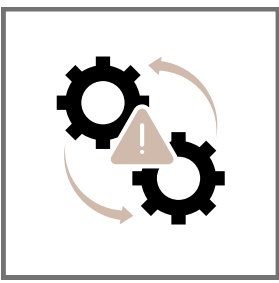
Operational Drift

Mismatch between contracts and actual conduct, or significant restructuring.



Compliance Failures

Failure to maintain supporting records or file declarations.



Structural Issues

Artificial or superficial transaction structures indicative of tax avoidance.

The APA is a living agreement; it requires active defense through data integrity.

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Strategic Takeaways and Immediate Actions

The Value Proposition



Certainty: Early clarity on transfer pricing outcomes.



Protection: Reduced exposure to audits, disputes, and litigation.



Confidence: Enhanced financial planning and investment decision-making.

Action Plan Checklist



Identify: Map high-value / high-risk related-party transactions.



Assess: Check materiality at entity or group level against the AED 100M benchmark.



Strengthen: Review current TP documentation and benchmarking data availability.



Forecast: Ensure reliability of financial forecasts for the proposed term.

APAs should be viewed as a strategic tax risk management tool, not merely a compliance mechanism.



THE ADVANCE PRICING AGREEMENT FRAMEWORK OFFERS A PATH TO PREDICTABILITY IN A COMPLEX REGULATORY ENVIRONMENT.

MCA helps you secure transfer pricing certainty before risk turns into dispute.



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