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UAE CORPORATE TAX ALERT

DOWNWARD TRANSFER PRICING ADJUSTMENTS

The FTA issues Public Clarification **CTP011** on downward transfer pricing adjustments under **Article 34(1)** of the UAE Corporate Tax Law.

THE CLARIFICATION - AT A GLANCE

An important clarification on downward TP adjustments

The UAE Federal Tax Authority has issued Public Clarification **CTP011** on downward transfer pricing adjustments under **Article 34(1)** of the UAE Corporate Tax Law.

FTA
FEDERAL TAX AUTHORITY

Public Clarification CTP011
Downward transfer pricing adjustments under Article 34(1), UAE Corporate Tax Law

CORPORATE TAX RETURN

THE CORE MESSAGE
Compliance extends beyond documentation — related-party transactions reported in the Corporate Tax Return must reflect the **arm's length standard.**

KEY TAKEAWAYS

Four things the FTA wants you to get right

Self-Assessment Applies

01

No prior FTA approval — but adjustments remain subject to tax audit.

Both Directions Permitted

02

Upward and downward adjustments align taxable income with arm's length.

Enhanced Disclosure

03

Every downward-adjusted related-party transaction must be disclosed.

Robust Documentation

04

Rationale, benchmarking, reconciliation and symmetry evidence.

Detail on each takeaway — and what it means in practice — on the slides that follow.

TAKEAWAY 01

Self-assessment applies — no prior FTA approval

Taxpayers must **self-assess** transfer pricing adjustments. No prior approval from the FTA is required — although adjustments **remain subject to tax audit.**

SELF-ASSESS

Taxpayer determines the arm's length adjustment

ADJUST & FILE

Reported in the Corporate Tax Return

TAX AUDIT

Adjustments remain open to FTA examination

PRIOR FTA APPROVAL

NOT REQUIRED

THE FLEXIBILITY
Adjust without waiting for a green light — file on your own assessment.

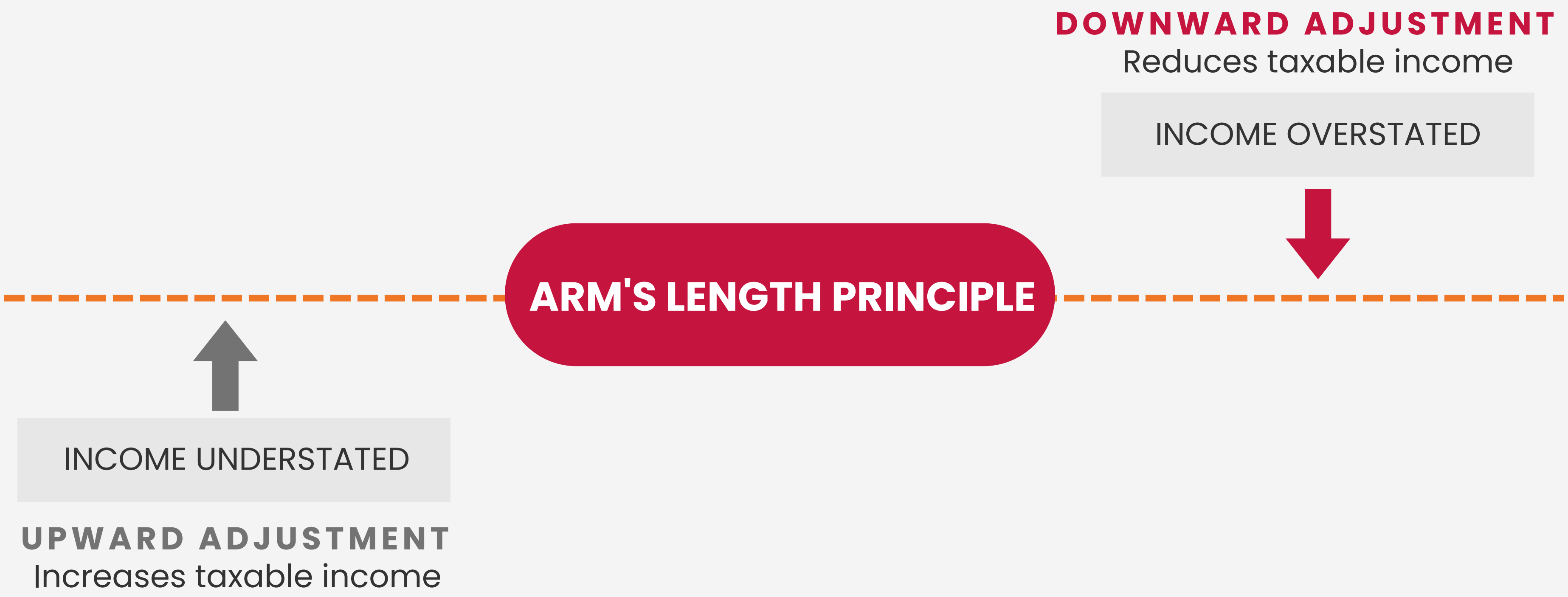
THE CATCH
Self-assessment shifts the burden of proof to you — every position must survive audit.

TAKEAWAY 02

Both upward and downward adjustments allowed

Both upward and downward transfer pricing adjustments are permitted — the objective is to align taxable income with the **arm's length principle.**

Where related-party pricing was not at arm's length, the return is corrected — in either direction.



One test, two directions: the return must land on the arm's length line — **not above it, not below it.**

TAKEAWAY 03

Enhanced disclosure for downward adjustments

Any related-party transaction carrying a downward adjustment must be disclosed in the Corporate Tax Return — **regardless of value or reporting thresholds.**

DOWNWARD-ADJUSTED RELATED-PARTY TRANSACTIONS

HIGH VALUE ABOVE THRESHOLDS	LOW VALUE BELOW THRESHOLDS	ANY VALUE NO DE MINIMIS

DISCLOSE IN THECORPORATE TAX RETURN

Reporting thresholds do not switch off disclosure once a downward adjustment exists.

TAKEAWAY 04

Robust documentation is essential

Four things every taxpayer making a downward adjustment should maintain on file:

01

RATIONALE

A clear rationale for why the original pricing was not at arm's length

02

ANALYSIS

A comprehensive arm's length analysis —including benchmarking.

03

RECONCILIATION

A Reconciliation between the financial statements and the adjusted tax values.

04

SYMMETRY

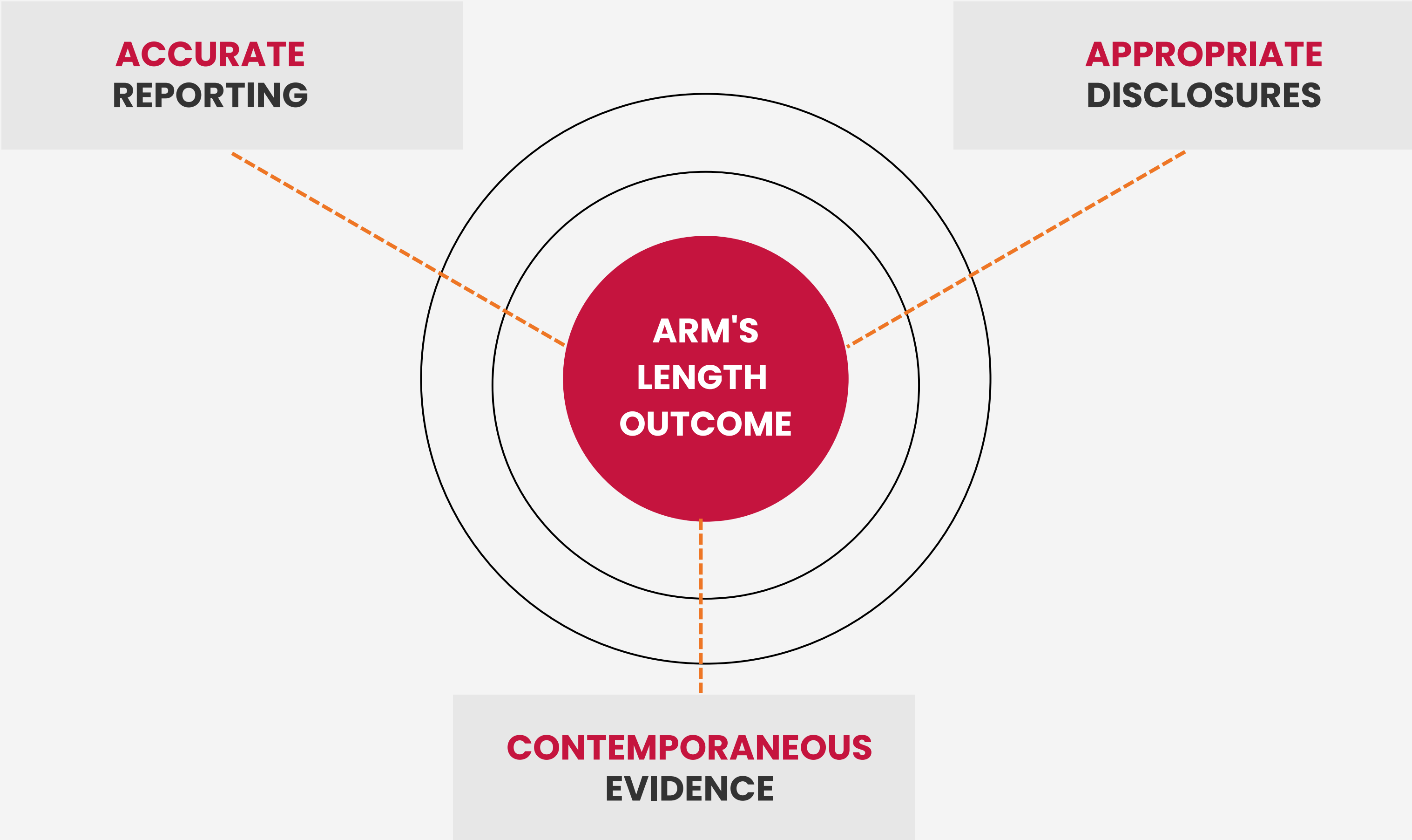
Evidence of corresponding (symmetrical) adjustments by the related party.

These four pillars carry the defence file — if one is missing, the adjustment is exposed.

FTA'S FOCUS

Compliance extends beyond documentation

The FTA's focus: downward TP adjustments must be commercially justified and supported by robust documentation. CTP011 reminds businesses that compliance also demands:



All in line with the UAE Corporate Tax Law and OECD transfer pricing principles.

WHAT THIS MEANS 01

Expect greater audit scrutiny

With no prior approval required, downward TP adjustments are likely to face increased post-filing scrutiny. Unsupported adjustments may be disallowed.

Downward adjustment filed without support
No pre-approval gate — the FTA reviews after filing

↓

Adjustment disallowed on audit
Unsupported positions do not survive examination

↓

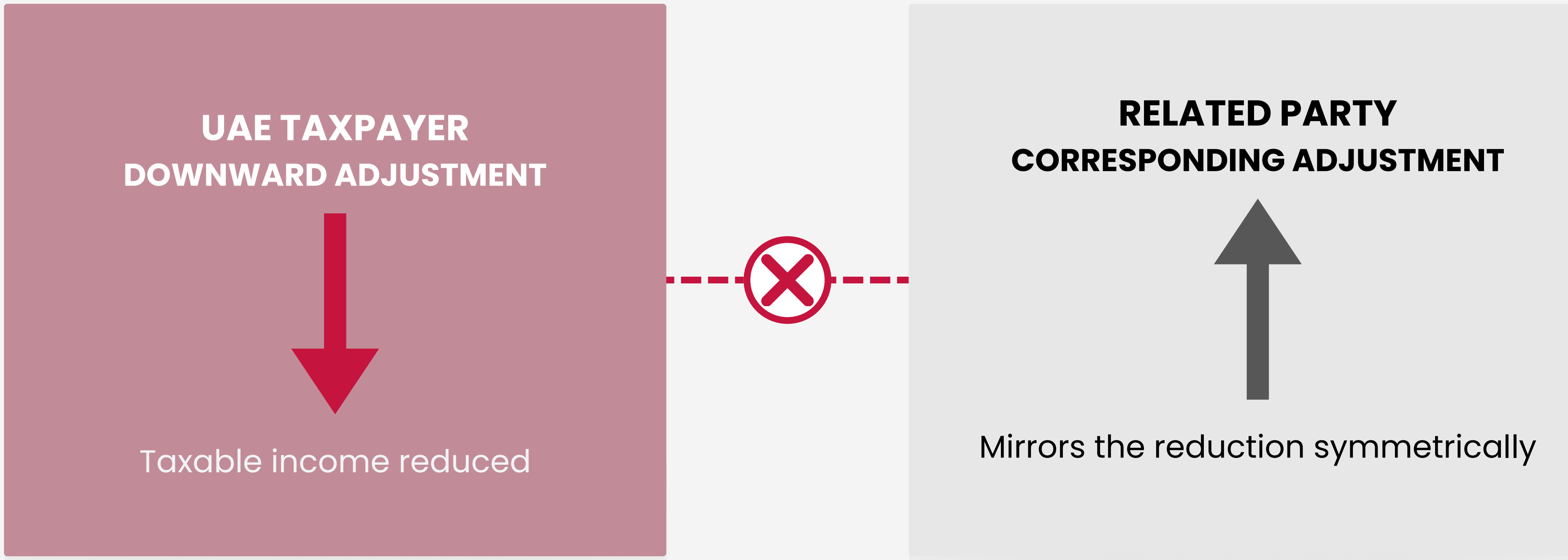
ADDITIONAL TAX	PENALTIES ON THE SHORTFALL	INTEREST ACCRUING OVER TIME

Flexibility up front — consequences on the back end if the file is thin.

WHAT THIS MEANS 02

Maintain symmetry across the group

Corresponding TP adjustments must be made by the related party — preventing **unilateral reductions in taxable income.**



One-sided reductions will not stand
A downward adjustment here without evidence of the related party's symmetrical adjustment invites challenge.

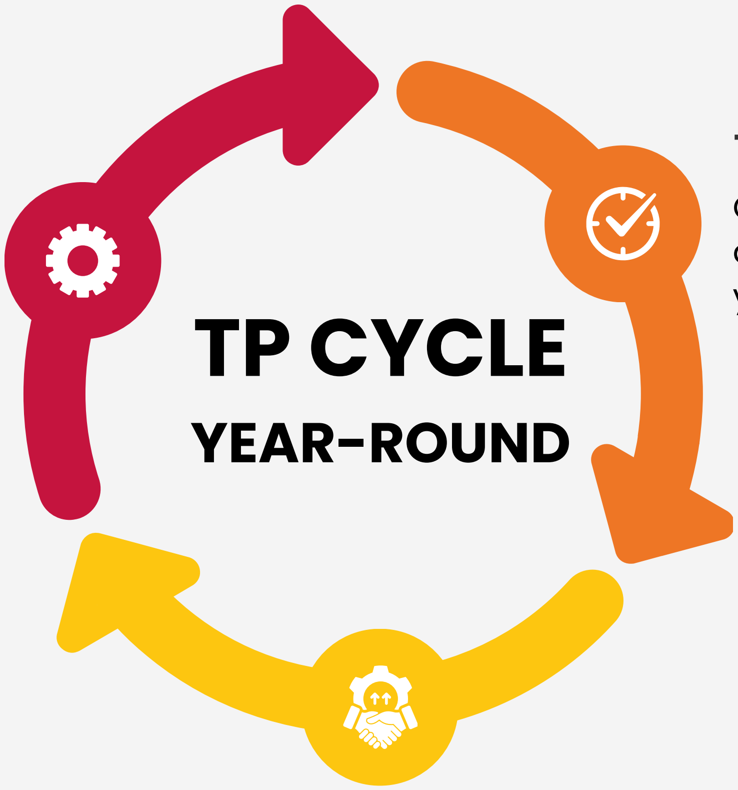
WHAT THIS MEANS 03

Manage TP all year — not at filing time

Transfer pricing should be managed throughout the year — three disciplines keep the return audit-ready before it is ever filed:

ALIGNED TP POLICIES

Group policies consistent with how transactions are actually priced



TIMELY BENCHMARKING

Current comparables — not analysis reconstructed after year-end

ARM'S LENGTH ARRANGEMENTS

Intercompany agreements reflecting the arm's length principle

Adjustments should be the exception a well-run TP framework rarely needs — not an annual repair job.

THE BOTTOM LINE

Flexibility for taxpayers. Onus on taxpayers.

CTP011 gives businesses greater operational flexibility — and places the burden squarely on them to **substantiate every transfer pricing adjustment** they make.

01 Review downward adjustments before filing

02 Build the four-pillar defence file now

03 Confirm symmetry with related parties

IS YOUR TRANSFER PRICING FRAMEWORK AUDIT READY?

Speak with our experts to evaluate your transfer pricing strategy and ensure full compliance with the latest UAE Corporate Tax requirements.

FOR A WORKING SESSION
CONTACT US AT

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