FINACT CONSULTANCY LLC

Transfer Pricing

Compliance:
A Risk Assessment for UAE Entities

For companies with related party or connected person transactions

Transfer Pricing Disclosure Form is filed with the CT return

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Why Transfer Pricing Matters Now

With the introduction of UAE Corporate Tax, transfer pricing has moved from a theoretical concern to a live compliance obligation. Every company with related party or connected person transactions must price those transactions at arm's length under Article 34 of Federal Decree-Law No. 47 of 2022. This is not optional, and it is not limited to large multinationals.

Ministerial Decision No. 114 of 2023 established detailed transfer pricing rules and documentation requirements. The Transfer Pricing Disclosure Form must be filed alongside the Corporate Tax return. For entities with a financial year ended 31 December 2025, that means 30 September 2026.

This assessment covers the five areas where we are consistently finding gaps in transfer pricing compliance, and what a company needs to have in place before the return is submitted.

Risk Area 1: The Disclosure Form

The Transfer Pricing Disclosure Form is filed alongside the Corporate Tax return when either of these thresholds is met:

Related Party Transactions: aggregate transactions with all related parties exceed AED 40 million in the tax period.

Connected Persons: aggregate transactions with any single connected person (and their related parties) exceed AED 500,000.

The Disclosure Form is where the FTA first sees the shape of your related party dealings. It asks for transaction types, values, methods used to determine arm's length pricing, and the rationale for each method selected. A vague or inconsistent Disclosure Form is an invitation for further enquiry.

Falling below these thresholds does not remove the obligation to price transactions at arm's length. Only the disclosure requirement changes. The arm's length principle applies to every related party transaction regardless of value.

Risk Area 2: Documentation Requirements

Transfer pricing documentation in the UAE follows the OECD three-tiered framework: Master File, Local File, and Country-by-Country Report. The thresholds for mandatory preparation are:

Local File: required when revenue of the taxable person exceeds AED 200 million in the relevant tax period.

Master File: required when consolidated group revenue of the multinational enterprise exceeds AED 3.15 billion.

Country-by-Country Report: required when consolidated group revenue exceeds AED 3.15 billion.

Even below these thresholds, the FTA can request transfer pricing documentation at any time under Article 55 of the Corporate Tax Law, with only 30 days to produce it. A file that has to be written from scratch after the request does not arrive in time.

In practice, we recommend that any company with material related party transactions maintains at minimum a transfer pricing policy document and contemporaneous benchmarking, regardless of whether it technically crosses the mandatory thresholds. The cost of preparation is a fraction of the exposure.

Risk Area 3: Arm’s Length Pricing and Benchmarking

The arm’s length principle requires that transactions between related parties are priced as if they were between independent parties in comparable circumstances. The FTA accepts the five standard OECD methods:

Comparable Uncontrolled Price (CUP), Resale Price Method, Cost Plus Method, Transactional Net Margin Method (TNMM), and Transactional Profit Split Method.

The most common gap we see is not the absence of a method. It is the absence of any documented analysis supporting the method selected. Stating that a management fee is ‘at arm’s length’ without a benchmarking study or comparable analysis is not compliance. The FTA expects to see the reasoning, the comparables, and the conclusion.

Common transactions that require benchmarking

Intercompany service fees and management charges, cost-sharing and cost-allocation arrangements, intercompany financing (loans, guarantees, cash pooling), licensing and royalty payments, sale and purchase of goods between group entities, and secondment of employees across group companies.

Connected persons: market value test

Salaries, benefits, and other payments to owners, directors, and their relatives are deductible only to the extent they are at market value. This is a separate but related requirement under , and one that is frequently overlooked in owner-managed businesses.

Risk Area 4: Intercompany Agreements

Two practical gaps we identify frequently:

First, intercompany agreements that do not exist in writing. The FTA expects written agreements that describe the nature of the transaction, the responsibilities of each party, the pricing basis, and the payment terms. A verbal understanding, however long-standing, is not documentation.

Second, agreements that exist but describe arrangements that differ from what actually happens. An agreement that contradicts the conduct is worse than no agreement, because it is the document you will be held to. If the agreement says one entity provides management services but the services are actually performed by employees of a different entity, the agreement undermines your position rather than supporting it.

Both gaps are straightforward to fix , and significantly harder to defend after an FTA request.

Risk Area 5: Free Zone Entities and Transfer Pricing

For entities claiming Qualifying Free Zone Person (QFZP) status, transfer pricing compliance is not just a documentation obligation. It is a condition of the 0% rate itself.

Related party transactions must be priced at arm’s length and properly documented as a requirement for maintaining QFZP status. A Free Zone entity that fails the transfer pricing condition can lose its 0% rate , and potentially for five years.

This creates a double exposure: the transfer pricing gap itself, plus the loss of the tax benefit the entity was structured to achieve. We see this most often in Free Zone holding companies, trading entities, and service companies that transact primarily with mainland affiliates.

Self-Assessment: Transfer Pricing Checklist

Every line below is a question the FTA can ask. Answer them before the return is submitted.

- [ ] Have you identified every related party and connected person?
  Owners, their relatives, directors, officers, and the other entities those people control.
- [ ] Have you listed every transaction with each related party and connected person?
- [ ] Do you meet the threshold for filing the Transfer Pricing Disclosure Form?
- [ ] If yes, is the Disclosure Form prepared and consistent with the return?
- [ ] For each transaction type, have you selected and documented a transfer pricing method?
- [ ] Is there a benchmarking study supporting the prices used?
  Where external comparables are relevant, the FTA expects to see the analysis.
- [ ] Do you need a Master File and a Local File based on revenue thresholds?
- [ ] Even if not required, could you produce documentation within 30 days of an FTA request?
- [ ] Do written intercompany agreements exist for every material transaction?
- [ ] Do the agreements match what actually happens in practice?
- [ ] Have payments to connected persons been tested against market value?
- [ ] For Free Zone entities: is transfer pricing compliance maintained as a QFZP condition?
- [ ] Is there a transfer pricing policy that covers the current tax period?

A line you could not answer with confidence is the part of your filing most likely to draw attention.

A Senior-Led Review

Every Finact engagement is personally led by a senior advisor with direct accountability for your deliverables. Your work is not handed to a rotating team . The same senior advisor oversees your engagement from first conversation to final delivery.

What a Finact TP review covers

Our transfer pricing review is scoped to your specific structure:

Related party mapping : identifying every related party and connected person, and every transaction between them.

Functional analysis : documenting the functions performed, assets employed, and risks assumed by each party.

Method selection and benchmarking : selecting the appropriate transfer pricing method for each transaction type and conducting the benchmarking analysis.

Disclosure Form preparation : preparing or reviewing the Disclosure Form for consistency with the return and supporting documentation.

Local File and Master File : preparing documentation to the standard the FTA expects, whether mandatory or prudent.

Agreement review : reviewing intercompany agreements for consistency with actual conduct and arm's length terms.

Rigorous methodology, fixed-scope pricing. The deliverables, timeline, and fees are set out in transparent engagement terms before work begins.

Request a Consultation

If your team would find it useful to have a senior advisor review your position before 30 September, we are available to discuss your structure directly.

We aim to send a proposal within 6 hours of a scoping call.

Reach our advisory team directly:

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General information about UAE Corporate Tax as at September 2026. It is not tax advice and does not create a client relationship. Thresholds, deadlines, and penalties depend on your own tax period and circumstances, and the law and guidance change. Check your position before relying on any figure here.