



**UAE CORPORATE
TAX**

TRANSFER PRICING

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Transfer pricing refers to the rules and methods for pricing the controlled transactions within and between enterprises under common ownership or control. These controlled transactions include but not limited to transaction related to goods, services, loans, and intangibles.

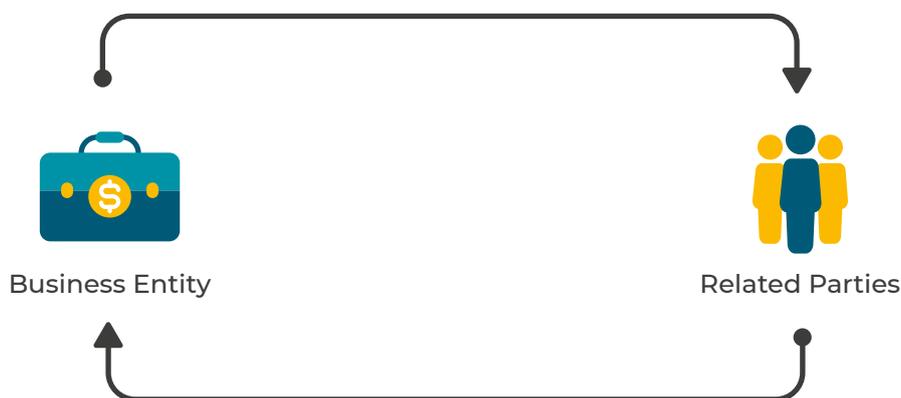
ARM'S LENGTH PRINCIPLE

The arm's length price (ALP) of a transaction between two associated enterprises is the price that would be paid if the transactions had taken place between two comparable independent and unrelated parties, where the consideration is only commercial.

TRANSFER PRICING IN UAE

All Related Party transactions and transactions with Connected Persons will need to comply with transfer pricing rules and the arm's length principle as set out in the OECD Transfer Pricing Guidelines.

RELATED PARTY TRANSACTIONS



- ◆ Comply with transfer pricing rules
- ◆ Comply arm's length principle

TRANSACTIONS WITH CONNECTED PERSON

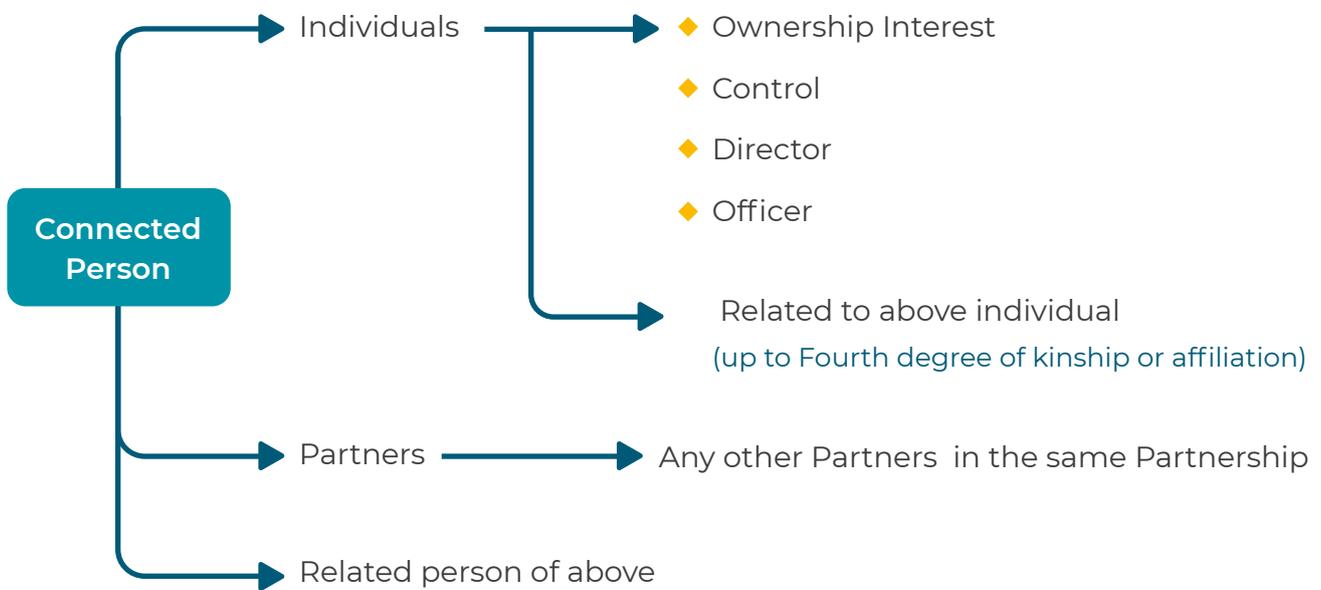


- ◆ Fair market value
- ◆ Wholly & exclusively for the business purposes

RELATED PARTIES

- ◆ Two or more individuals related to the fourth degree of kinship or affiliation, including by birth, marriage, adoption, or guardianship.
- ◆ An individual and a legal entity where alone, or together with a related party, the individual directly or indirectly owns a **50% or greater** share in, or controls, the legal entity.
- ◆ Two or more legal entities where one legal entity alone, or together with a related party, directly or indirectly owns a **50% or greater** share in, or controls, the other legal entity Two or more legal entities if a taxpayer alone, or with a related party, directly or indirectly owns a **50% share** of each or controls them.
- ◆ A taxpayer and its branch or permanent establishment.
- ◆ Partners in the same unincorporated partnership.
- ◆ Exempt and non-exempt business activities of the same person.

CONNECTED PERSONS



TRANSFER PRICING PROCEDURE



TRANSFER PRICING DOCUMENTATION

01

Disclosure requirements

- ◆ Details of controlled transactions
- ◆ Details of related persons
- ◆ TP Method adopted

02

Local File

- ◆ Description of business and management structure
- ◆ Detailed description of material controlled transactions
- ◆ Detailed comparability and functional analysis
- ◆ Financial information

03

Master File

- ◆ Overview of the MNEs global business operations
- ◆ TP policies applied within group
- ◆ Economic activity of the related person in the MNE

04

Country by Country Reporting (CbCR)

- ◆ Insight about MNE groups aggregate multi-jurisdictional tax information on the global allocation of income, tax paid & economic activities within the MNE.

INTERNATIONALLY RECOGNISED TP METHODS

Traditional Transaction methods

- ◆ Comparable uncontrolled price method (CUPM)
- ◆ Resale price method (RPM)
- ◆ Cost plus method (C+M)

Transactional Profit method

- ◆ Transactional profit split method (PSM)
- ◆ Transactional net margin method (TNMM)

TRADITIONAL TRANSACTION METHODS

Comparable uncontrolled price method (CUPM)

Analysis of price charged or paid for property transferred or services provided under comparable uncontrolled transactions or transactions should be identifiable. Adjustments to account for the difference to be made

Resale price method (RPM)

Analysis of price at which a property purchased, or service obtained by the entity is resold to an unrelated entity should be identifiable & adjustments can be made to resale price.

Cost plus method (C+M)

Analysis of direct and indirect cost of production incurred by the entity in respect of property transferred or service provided to another entity should be determined.

TRANSACTIONAL PROFIT METHOD

Transactional profit split method (PSM)

Analysis of Allocation of profit margin to each entity in the proportion of their relative contributions in controlled vis-à-vis comparable uncontrolled Transaction.

Transactional net margin method (TNMM)

Analysis of net profit margin realised by the entity having regard to cost or sales effected or to an appropriate base earned in controlled vis-à-vis comparable uncontrolled Transaction.



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