

UAE Corporate Tax Law Transfer Pricing Rules

- The UAE Corporate Tax Law (CT Law) introduces a comprehensive transfer pricing (TP) regime applicable to both domestic and cross-border transactions and arrangements.
- Transactions and arrangements between related parties and connected persons must meet the arm's length standard, i.e., carried out as if such transactions and arrangements were between independent parties.
- Arm's length standard must be determined by the business by applying the acceptable TP methods as set out in CT Law.
- Federal Tax Authority will adjust the taxable income to achieve the arm's length standard if any particular transaction or arrangement between related parties does not fall within the arm's length range.
- It is critical for businesses to identify related parties and connected persons, establish transactions with these parties, comply with the arm's length standard and document these arrangements. Particular focus must be given to transactions related to intangible assets, e.g., trademarks, patents, designs, brand image, etc.
- Opening balance sheet, (i.e. year 2023 balance sheet for companies with financial year starting on 1 January 2023 and becoming subject to Corporate Tax from 1 January 2024) must be prepared taking into consideration the arm's length principle.
- Businesses must act now to comply with above requirements, including implementing any reorganization of legal structure and operating model as Corporate Tax will become applicable to the majority from 1 January 2024.