

# Highlights of the UAE advance pricing agreement guide



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# Foreword

An advance pricing agreement (APA) is a formal agreement between a taxpayer and the tax authority that determines the approach for setting arm's length prices for transactions with related parties (including transactions with Connected Persons), providing certainty on complex matters and avoiding potential litigation disputes. The OECD Transfer Pricing (TP) Guidelines endorse APAs as a best practice to ensure compliance and foster cooperation between taxpayers and tax authorities.

The UAE Federal Tax Authority (FTA) is continuing to enhance and strengthen its tax framework. In addition to the existing guidance on complying with TP regulations, the release of the APA guide (hereinafter referred to as "guide") marks a significant milestone for businesses operating in the UAE, offering a structured mechanism to achieve certainty on TP positions in a jurisdiction that is still evolving its tax landscape.

This development is particularly important for multinational enterprises and large domestic groups seeking to mitigate tax risk and avoid potential litigation disputes. By enabling taxpayers to agree on an arm's length pricing methodology prospectively, APAs can provide certainty on the TP methodology for a set tax period and reduce the likelihood of double taxation. The APA program reflects the UAE's commitment to align with the best international practices in line with similar implementation undertaken by OECD member countries.

The APA regime has been introduced in a phased approach, starting with unilateral APAs covering domestic transactions (the date for coverage of cross border transactions is expected to be released soon) and expanding to bilateral and multilateral agreements in the future. As the UAE tax landscape evolves, APAs offer an opportunity to embed predictability into tax planning, reduce the administrative burden on business, and strengthen governance frameworks.

In this tax alert, we outline the key features of the UAE APA program, eligibility criteria, timelines and compliance obligations, and share our insights on how businesses can take advantage of this opportunity to enhance certainty and manage TP risks effectively.

Click [here](#) to read the full APA guide issued by the FTA.<sup>1</sup>

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<sup>1</sup> Advance Pricing Agreements Corporate Tax Guide | CTGAPA1 issued December 2025 by FTA

## APA in a UAE context

Article 59 of the UAE Corporate Tax (CT) Law provides a framework for taxpayers to apply for an APA in the UAE. The FTA issued the APA guide on 31 December 2025, which outlines objectives, scope, procedures, timelines and prescribed forms.

An APA is an agreement by the FTA with a taxpayer, which sets the criteria to determine the arm's length price in relation to its transactions with Related Parties or Connected Persons (RPTs) entered or to be entered by that taxpayer, over a fixed period of time. The key benefits of entering into an APA include offering TP certainty, reducing TP disputes and double taxation risks etc.

Below are the types of APAs:

- **Unilateral APA (UAPA)** - Agreement between a taxpayer and the FTA for domestic and cross-border RPTs.
- **Bilateral APA (BAPA)** - Agreement between competent authorities of two jurisdictions i.e. UAE and relevant foreign tax jurisdiction covering cross-border RPTs.
- **Multilateral APA (MAPA)** - Set of agreements undertaken between more than two tax jurisdictions covering cross-border RPTs.

The FTA is rolling out its APA program in phases, starting with UAPAs for domestic transactions from December 2025.

Cross-border UAPAs will follow in 2026, with plans to expand to BAPA and MAPA over time.

### KPMG insight

As the APA framework is being implemented gradually in the UAE, taxpayers should assess which of the different APA types are most suitable for their RPTs. It is expected that the FTA will gradually issue guidance for covering BAPA and MAPA.

## Eligibility and thresholds for APA

### Eligibility

- Taxpayers with existing or proposed domestic or cross border RPTs (subject to a materiality threshold) are eligible to enter an APA.
- Domestic RPTs between a taxpayer and their related party are eligible only if the transacting parties are subject to different CT rates or eligible for any tax incentives under UAE CT Law.
- Transactions that fall under the safe harbor provisions, or low value-adding intra-group services, are not eligible for APAs.
- The materiality threshold is not the sole criteria for accepting or rejecting an APA application. The FTA can accept an APA application even if the materiality threshold is not met and the taxpayer provides robust justification on the rationale for the APA application. However, the FTA can reject an APA application in cases where the materiality threshold is met, but other conditions are not satisfied.

### Thresholds for APAs

- A taxpayer can apply for an APA if the arm's length value of the domestic or cross border RPTs proposed to be covered under the APA is at least AED 100 million (approximately USD 27.2 million) per tax period at time of application.
- For tax groups – the prescribed materiality threshold will be applied at the level of the tax group, i.e. the value of RPTs, proposed to be covered under the APA, undertaken between the tax group and the related parties outside the group.

### KPMG insight

Each APA application would be evaluated by the FTA based on the facts, complexity, tax risk and overall benefit. Therefore, before applying for an APA, taxpayers should critically assess the complexity of the RPTs, costs involved and potential tax benefits to help determine if an APA aligns with the overall eligibility criteria.

It should be noted that not all domestic RPTs are eligible for APAs. The guide provides some conditions/scenarios for eligible domestic RPTs such as where the counterparty is a qualifying free zone person, government entity, government controlled entity, engaged in

extractive business, etc. Appropriate analysis should be undertaken to determine the eligibility of the transactions subject to threshold and other conditions.

Safe harbor provisions have not yet been prescribed under the UAE TP regulations. Therefore, further guidance from the FTA on safe harbors may be expected, so taxpayers have certainty on which types of RPTs would not be eligible for the APA regime.

In line with the UAE TP guidance and OECD Guidelines on TP Documentation, APAs may be required to be disclosed in the Group Master File and Local Files. Therefore, it is important that an APA application be assessed in conjunction with overall group tax teams on the potential implications in other tax jurisdictions.

## Fees and covered period

### Fees

The guide provides the following fees and they are non-refundable:

- New APA application fee – AED 30,000 (approximately USD 8,200)
- Renewal application fee – AED 15,000 (approximately USD 4,100)

### Covered period

A minimum of three tax periods, extendable to up to five, with initial unilateral APAs applying only to prospective periods.

### KPMG insight

As it stands, the UAE APA regime does not cover filing of applications for any prior tax periods and applications can only be made for prospective periods. However, the regime may further evolve to include these prior tax periods in line with OECD guidelines.



## APA stages and process

The guide provides for the following APA stages that are summarized as follows:

Process	Information to be filed (illustrative list)	Timelines
<b>Stage I - Pre-filing consultation</b>		
<ul style="list-style-type: none"> <li>• Taxpayer to make a request for a pre-filing consultation in the prescribed form</li> <li>• FTA to conduct review of the application and may conduct meeting(s)/request additional details</li> <li>• Taxpayer to provide any additional information / documents requested</li> <li>• FTA to assess the suitability of entering into the APA</li> </ul>	<p>Applicant provides:</p> <ul style="list-style-type: none"> <li>• Group structure</li> <li>• Overview of industry and business operations</li> <li>• Covered tax period and type of APA</li> <li>• Information on transaction, value and arm's length analysis</li> <li>• Litigation history or APA in the UAE as well as other tax jurisdictions</li> <li>• Critical assumptions</li> <li>• Power of Attorney</li> </ul>	<ul style="list-style-type: none"> <li>• Indicative timeline of 6-9 months for FTA to review</li> <li>• Applicant to provide responses to any FTA queries within 40 business days</li> <li>• FTA informs the applicant of understanding within 60 business days of meeting</li> </ul>

### KPMG insight

- Pre-filing consultation is not binding on the FTA or the taxpayer to enter into an APA
- Details of transactions not proposed to be covered under the APA can also be called upon and reviewed
- APA requests may be rejected for various reasons such as tax avoidance concerns, significant business fluctuations, insufficient records, TP treatment considered to be reliably covered under existing UAE TP rules. Therefore, taxpayers should carefully evaluate their eligibility before filing the pre-filing application

Process	Information to be filed (illustrative list)	Timelines
<b>Stage II - APA Application filing</b>		
<ul style="list-style-type: none"> <li>• File APA application in the specified format after receiving notification to proceed</li> <li>• FTA and applicant to agree on project plan outlining timelines</li> <li>• APA application in English or Arabic</li> <li>• FTA to review the application, ask for further information/clarifications, conduct site visits, undertake functional interviews, meetings, etc.</li> <li>• Engage industry/functional experts, if required.</li> </ul>	<p>At the stage of APA application filing, in addition to information/documents filed during pre-filing consultation, the taxpayer is required to provide more detailed information which may include (illustrative):</p> <ul style="list-style-type: none"> <li>• Value drivers, competitors, supply chain</li> <li>• Budgeted and projected financial data</li> <li>• Related party details which also include TRN or any other unique identification number</li> <li>• Detailed functional and benchmarking analysis</li> <li>• TP methodology/policy applied for covered RPTs in prior two FYs</li> <li>• Consolidated financial data of two prior years, segmented data</li> <li>• Group master file and local files</li> </ul>	<ul style="list-style-type: none"> <li>• Applicant to provide responses to FTA queries within 40 business days.</li> <li>• APA application must be filed within 2 months of the FTA's approval notification of APA pre-filing consultation or at least 12 months before first covered tax period, whichever is earlier (Refer to 'Timeline clarification' in the section 'Specific observations and considerations' below for further details)</li> </ul>

### KPMG insight

- A significant volume of information will be shared by the taxpayer with the FTA during the filing. Some key considerations are:
  - The FTA may take minutes of meeting and is not obliged to share with the taxpayer.
  - The FTA may request historical TP treatment for previous 2 years, so taxpayers should be comfortable with arm's length or prior arm's length analysis/justifications.
  - Information and interviews are expected to be provided and acceptable in English. Arabic assistance can be provided if requested.
  - The application includes a 'Spontaneous Exchange of Information' section. Taxpayers should be aware that information provided in the context of an APA application may be exchanged with other tax authorities.
  - Whilst the first stage of pre-filing may take 6-9 months, taxpayers should be aware that they will have a relatively short window (maximum 2 months) to lodge their APA application once the pre-filing is acceptable from the FTA. As an illustrative example, if the FTA approves pre-filing on 30 Nov 2026, where the covered tax period is FY 2028 (Jan-Dec), in this case, the APA must be filed by 31 Dec 2026, i.e. the earlier of
    - 31 Dec 2026 (12 months before FY 2028) or
    - 31 Jan 2027 (within 2 months of approval)
  - Further, if FTA approves pre-filing by 30 November 2026 where the covered tax period is FY 2028-29 (Apr 2028-Mar 2029), the APA must be filed by 31 Jan 2027, i.e., the earlier of
    - 1 April 2027 (12 months before FY 2028) or
    - 31 Jan 2027 (within 2 months of approval)

Refer to the section 'Specific observations and considerations' below for further details on the timelines

Process	Information to be filed (illustrative list)	Timelines
<b>Stage III - Evaluation and negotiation</b>		
<ul style="list-style-type: none"> <li>• The FTA commences evaluation and prepares analysis, including methodology for determination of arm's length price, key criteria and critical assumptions</li> <li>• The FTA provides analysis to taxpayer and engages in discussions upon taxpayer's request</li> <li>• If the FTA and taxpayer cannot reach a mutually agreeable position, the APA application may be closed without conclusion</li> </ul>	Any information as requested by the FTA during the discussion stage	Response to the FTA analysis within 30 business days

### KPMG insight

- Acceptance of an APA application is not an indication that the APA will be concluded or that the conclusion will be as proposed by the Applicant. An APA application may be rejected for not meeting threshold, discrepancies in contracts and conduct of business, unreliable economic analysis, etc. and taxpayers should be mindful while filing the application.
- APAs are complex processes that may take considerable time to negotiate and conclude. The latest review (2024) from the OECD notes that the average time to grant an APA is 39.6 months. It is important for taxpayers to be aware of this timeline and the resources they may require throughout the APA process.

Process	Information to be filed (illustrative list)	Timelines
<b>Stage IV - Conclusion and implementation</b>		

Discussion on the implementation of the agreed methodology

FTA and applicant sign the APA agreement based on mutually agreed terms

No specific timeline provided for the conclusion of the APA process

#### KPMG insight

- An applicant can withdraw the APA application prior to the conclusion, but this is discouraged by the FTA. There will be no refund of fees in cases where an APA is withdrawn or not concluded.
- Though no timelines are provided for conclusion of APA, the guide mentions that FTA shall endeavor to conclude the APA proceedings at the earliest subject to cooperation by taxpayers.

Process	Information to be filed (illustrative list)	Timelines
<b>Stage V - Monitoring and review</b>		

- Filing of annual APA declaration
- FTA to monitor compliance

- Compliance checks including critical assumptions
- Audited financials
- Any reconciliation statements
- Supporting documents

Annual declaration due within 90 business days of APA signing or tax return due date, whichever is later

#### KPMG insight

Taxpayers should note that the APA process does not end upon successful negotiation and signing, as it requires monitoring, periodic evaluations, and continued compliance obligations throughout the APA covered period.

## Legal effect

A signed APA is binding on the signatories for the RPTs and tax periods stated. The APA does not set precedents for other tax periods or any other taxpayer.

If the taxpayer complies with all terms, the FTA will not contest the arm's length method for the covered RPTs which will provide tax certainty and facilitate financial planning for businesses.

The FTA may revoke or cancel an APA for material misrepresentation, non-compliance with terms or there is a breach of critical assumptions.

Revocation applies from the first covered tax period and cancellation applies prospectively from the period of breach onward, with prior transactions reverting to Corporate Tax Law provisions.

#### KPMG insight

It is essential to note that APAs require strict adherence to the agreed terms and ongoing monitoring of critical assumptions to safeguard validity and maintain tax certainty for the period.



## Specific observations and considerations

### Filing requirements

The APA pre-filing consultation and application must be submitted by the taxable person, its tax agent, or legal representative. Further, only the parent company can submit this on behalf of the tax group or its members. From 30 December 2025, submissions can be made via email (APA@tax.gov.ae) or through EmaraTax (which will be activated in due course).

### Critical assumptions

The APA guide highlights that APAs rely on stable critical assumptions across operational, legal, financial and tax factors. Any material change may require revision or even cancellation of the APA. Taxpayers planning restructurings or business changes should therefore assess potential impacts on the RPTs covered under their APAs to ensure continued validity and compliance.

### Timeline clarification

Section 4.1.2 of the guide states that an APA application should be submitted within 40 business days. However, other sections of the guide provide a timeline of 2 months from FTA notification or at least 12 months before the first covered tax period, whichever is earlier. Until clarification is received from the FTA, applicants may consider submitting the application in accordance with the earliest applicable timeline (40 business days/2 months) to mitigate any potential compliance risk.

### Independent APA and tax audits proceedings

The guide provides that the APA process shall operate independent of any ongoing tax audits. It is pertinent to note that generally two separate divisions are involved in handling the APAs and tax audits under the same administration. It is expected that a similar procedure will be established for a clear distinction and avoiding any overlap between these two proceedings.

## Collaborative assessment

Considering the APA process requires extensive information and may also involve exchange of information between countries, the decision to file for an APA should not be made solely based on the business operation of one entity of the multinational group, but rather, made with collaborative input from global tax teams and other key stakeholders of multinational groups, ensuring alignment across jurisdictions.

## Navigating the future of APAs in the UAE

The UAE's APA framework will evolve into a strategic tool for tax certainty and risk management. Businesses should view the pre-filing stage as a collaborative exercise, where they can undertake discussions with the FTA to align pricing methodologies.

This proactive engagement enables businesses to help shape the TP methodology, and the determination of profit-level indicators, which can serve as reference points for future reviews and bilateral agreements. Ensuring robust forecasting and prospective testing ensures that TP positions remain defensible in line with anticipated business performance to comply with the APA regime.

As the APA landscape matures, taxpayers should adopt a forward-looking approach as the emphasis will increasingly shift from compliance to strategic collaboration, positioning APAs as one of the critical aspects for enabling robust tax governance in the UAE.

# How we can help

KPMG has a dedicated team of TP professionals in the UAE with expertise in assessing and negotiating APAs and mutually agreed procedures across various jurisdictions for various industry sectors and global clients.

KPMG's TP team's deep knowledge, combined with familiarity with local and regional legal frameworks, allows us to help you navigate the requirements set out in the TP provisions as outlined in the CT Law and the OECD TP Guidelines.

We are happy to discuss your specific requirements and determine the way forward; please reach out to our UAE team members below.

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