



# Transfer pricing compliance in the UAE

From first-time filing to audit-ready governance



# Foreword

**For businesses in the UAE with a 31 December year-end, 30 September is now an established date in the corporate tax calendar. However, as taxpayers enter the second transfer pricing compliance cycle, the significance of this deadline is changing.**

Three distinct obligations converge on that date:

**Disclosure (“what is reported”):** The Transfer Pricing Disclosure Form (TPDF) is submitted with the corporate tax return, with schedules triggered by transaction value.

**Documentation (“what is maintained”):** A Master File and a Local File must be maintained under Ministerial Decision No. 97 of 2023, with the obligation triggered by revenue. Neither file accompanies the return. Both must be produced within 30 days of a request from the Federal Tax Authority (FTA), or by such later date as the authority directs.

FY2024 was, for many businesses, an implementation exercise. Finance and tax teams had to familiarize themselves with the new UAE corporate tax and transfer pricing requirements, identify related-party transactions, prepare the TPDF and establish initial documentation processes. In many cases, this was managed as a one-off compliance project.

FY2025 presents a different challenge. The second filing cycle provides the FTA with an opportunity to assess whether the positions reported in the first year were consistently applied, whether the underlying data can be reconciled, and whether the documentation reflects the actual commercial arrangements of the business.

The compliance question is therefore evolving. It is no longer simply whether a taxpayer has filed its TPDF correctly, but whether it can substantiate the position reported in that filing through underlying financial data, contractual arrangements and evidence of commercial activity.

This shift from first-time compliance to sustainable governance is likely to be one of the defining features of the UAE transfer pricing environment as the FTA’s audit activity develops.

# 1 From compliance requirements to audit readiness

**The UAE transfer pricing framework is broadly aligned with the OECD Transfer Pricing Guidelines, but the practical challenge for taxpayers is increasingly one of implementation. The information required for transfer pricing purposes rarely sits in one place.**

Intercompany revenue and expenses are recorded in ERP systems and General Ledgers. Executive remuneration and benefits sit with HR and payroll. Treasury teams maintain shareholder loans, guarantees and cash advances. Legal teams hold intercompany agreements, which may not always reflect subsequent changes in operational arrangements.

At the same time, consolidation processes can eliminate intercompany balances that must nevertheless be reported on a gross basis in the TPDF. Group reporting structures may also differ from the UAE taxable person or Tax Group perimeter.

This creates a fundamental distinction between documentation and evidence.

A Master File, Local File and executed intercompany agreement represent the presentation layer of a transfer pricing position. They explain the group structure, functional analysis, pricing methodology and contractual allocation of risks.

The substance layer is different. It connects those conclusions to the underlying commercial and financial records: cost pool reconciliations, allocation keys, transaction-level ledger data, evidence of services performed and the financial outcomes actually achieved.

For example, a management service charge may be supported by an agreement and a benchmarking study. However, an FTA review may go further and ask how the underlying cost pool was constructed, whether shareholder or stewardship costs were excluded, how the allocation key was calculated and what evidence demonstrates that the recipient actually benefited from the services.

An audit-ready transfer pricing framework therefore requires the ability to move seamlessly from the TPDF to the ledger, from the ledger to the transaction, and from the transaction to the underlying commercial activity.



# 2 Recent clarifications shaping the second cycle

**Two public clarifications issued during 2026 bear directly on positions taken in the FY2025 return. Both are interpretive rather than legislative, and both therefore reach backwards into filings already made.**

## **CTP010: identifying connected persons by substance**

Issued on 29 April 2026, addressing the meaning of director and officer for the purposes of Article 36.

- **Director:** A natural person holding a formal position on the board of directors or an equivalent governing body. The presence of the word within an operational job title is not sufficient.
- **Officer:** Identified functionally, drawing on IAS 24, as a person with authority to plan, direct and control the activities of the taxable person, to make strategic decisions, or to bind the entity, including through a power of attorney or as a manager named on the trade license.

- **Dual capacity:** Where an individual qualifies as both a related party and a connected person, that person is treated as a related party.
- **Practical consequence:** The population moves in both directions, and the FY2024 disclosure should be revisited rather than carried forward. Owner and executive remuneration requires role-based market evidence, supported by the governance record establishing where authority actually sits.

## **CTP011: downward adjustments without pre-approval**

Issued on 15 July 2026, addressing adjustments made in the corporate tax return. Downward adjustments were previously understood to require a successful application to the FTA, a position reflected in the UAE Transfer Pricing Guide (CTGTP1) and the Corporate Tax Returns Guide (CTGTXR1), although the procedure was never prescribed. CTP011 confirms that no prior approval is required, on the basis that the system operates by self-assessment, and substitutes three conditions:

- **Disclosure with no threshold:** Every transaction subject to a downward adjustment must be disclosed irrespective of value or category. A transaction otherwise outside the schedules enters them by virtue of the adjustment.
- **Symmetry:** The taxpayer must hold evidence that the counterparty has recorded a corresponding adjustment in the opposite direction, so that the tax base remains balanced.
- **Evidentiary support:** A written commercial rationale, benchmarking analysis, and a reconciliation mapping the closed financial statement values to the values reported in the return.

The removal of pre-approval relocates the FTA's review to the back end, and a downward adjustment should be assumed to attract scrutiny. The treatment of cross-border downward adjustments merits continued monitoring.



# Other areas of focus

**As transfer pricing scrutiny develops, certain areas are likely to attract particular attention.**

## Local and Master File localization

Where the Local File threshold is met — AED 200 million of UAE revenue or AED 3.15 billion of consolidated group revenue — taxpayers should not assume that a global template automatically satisfies UAE requirements. The Local File should reconcile to the TPDF and underlying financial records, with particular attention paid to its broader transaction scope, Connected Person transactions, functional characterization, segmentation and benchmarking. Importantly, TPDF materiality does not determine Local File scope: a transaction below the AED 4 million TPDF category threshold may still need to be addressed in the Local File.

For inbound groups, the UAE Local File should therefore be appropriately localized rather than simply adopted from global documentation. This includes assessing UAE-specific requirements, the Connected Person population, the appropriateness of regional benchmarking and whether the functional analysis and

intercompany agreements reflect the activities actually undertaken in the UAE. The Master File should also adequately reflect the UAE business within the group's wider value chain and transfer pricing framework.

For UAE-headquartered or outbound groups, the focus should be on consistency across jurisdictions. The UAE Local File should align, where appropriate, with the overseas group's functional characterizations, pricing methodologies, benchmarking approaches and contractual arrangements, so that the UAE and overseas documentation tell the same commercial story.

Where the Local File threshold is not met, the absence of a mandatory Local File does not remove the arm's length requirement or the need to retain appropriate support for material related-party transactions. Taxpayers should still be able to explain their pricing, commercial rationale and underlying evidence if requested by the FTA.

Where the group operates under a different documentation framework — for example, China's Public Notice 42 — the relevant global documentation should also be reviewed to ensure that it adequately addresses UAE requirements.

## Related Party identification

Article 35 extends beyond straightforward direct shareholding. Indirect ownership, specified relationships and control can all affect the Related Party perimeter. Mid-year acquisitions, disposals and restructurings can create reporting issues arising from changes in ownership or control during the year, while family-owned groups may need to consider whether governance arrangements or other forms of influence create control even where legal ownership appears separate.

## Multi-entity and Free Zone alignment

A transaction creates a corresponding position for both parties. UAE groups should therefore ensure that transaction values, functional characterizations and transfer pricing methodologies are consistent across counterparties. This is particularly relevant where mainland entities transact with Free Zone entities. For a Qualifying Free Zone Person (QFZP), compliance with the arm's length principle is an important component of maintaining its qualifying position and access to the 0% corporate tax rate on qualifying income.

## Transaction-level data and multi-year consistency

The TPDF should reconcile to the underlying accounting records and audited financial statements. Material movements in transaction values, margins, methodologies or functional characterizations between FY2024 and FY2025 should also be explainable. A change in position is not necessarily problematic, but an unexplained change can raise questions about whether the original position was appropriately determined.

# 4 Building sustainable transfer pricing governance

**These areas of focus highlight an important change in how transfer pricing should be managed within UAE groups. The annual compliance process cannot operate independently of finance, treasury, HR, legal and business operations.**

A sustainable framework starts with a live Related Party Register that captures changes arising from acquisitions, disposals, restructurings and governance changes. It should then connect that population to ERP and accounting data so that intercompany transactions can be identified and classified at source.



Technology can play an important role in this process. Automated extraction of intercompany balances, standardized mapping of accounts to TPDF categories, threshold monitoring, margin analysis and reconciliation across UAE entities can materially reduce manual effort and improve data quality.

Technology, however, does not replace technical transfer pricing judgement. Determining the accurate delineation of a transaction, selecting the appropriate transfer pricing method, assessing functional profiles, evaluating comparables and determining whether executive remuneration meets the relevant UAE requirements remain matters requiring specialist economic and tax analysis.

The objective should therefore be to automate repeatable tasks and focus specialist resources on judgement-intensive activities.



# 30 September transfer pricing readiness checklist

**Before signing off the FY2025 return, management should consider whether it has:**

- ☒ Reconciled TPDF disclosures to the General Ledger and audited financial statements.
- ☒ Validated the complete Related Party and Connected Person population, including changes arising during the year.
- ☒ Aligned transaction values, methodologies and functional characterizations across UAE counterparties.
- ☒ Localized global Local and Master Files for UAE requirements where the group is headquartered outside the UAE.
- ☒ Aligned UAE documentation with overseas group documentation where the UAE entity is the headquarters or principal group entity.
- ☒ Reviewed potential year-end adjustments and assessed whether any CTP011 implications arise.
- ☒ Confirmed that supporting evidence could be assembled within the FTA's 30-day production window.

These steps should not all sit with the tax function. The Related Party population, accounting data and underlying operational evidence need appropriate ownership within the business, while areas requiring specialist technical or economic judgement should be identified early enough to allow issues to be resolved before filing.



## 6 How can KPMG help?

**Transfer pricing compliance in the UAE is evolving from an initial implementation exercise into an ongoing governance discipline. The ability to meet the filing deadline remains important, but the greater challenge is ensuring that the position reported can be supported by the accounting records, contractual arrangements and commercial substance behind it.**

Organizations with complex intercompany transactions, multiple UAE entities, Free Zone structures or significant Connected Person arrangements can benefit from a framework that brings together tax, finance, legal and operational information rather than addressing each requirement independently.

At KPMG, our transfer pricing practice works with family businesses, regional groups and multinational enterprises to help establish and strengthen this framework. This includes TPDF readiness and ledger reconciliation, Related Party and Connected Person assessments, UAE Local and Master File reviews and localization, economic benchmarking, intercompany agreement reviews, year-end adjustment analysis and audit-readiness support.

The objective is to establish a framework that is repeatable, evidence-led and commercially coherent.

As FTA scrutiny moves beyond the disclosure form towards the underlying transaction, the question for taxpayers is no longer whether their transfer pricing position has been documented. It is whether the position can withstand scrutiny when the FTA asks for the evidence behind it.

# About KPMG Middle East LLP

**KPMG Middle East LLP is a part of the KPMG global organization of independent member firms that operate in 143 countries and territories and are affiliated with KPMG International Limited. We provide audit, tax and advisory services to public and private sector clients across Saudi Arabia, United Arab Emirates, Jordan, Lebanon, Oman, and Iraq, contracting through separate legal entities. We have a strong legacy in the region, where we have been established for over 50 years. KPMG Middle East LLP is well-connected with its global member network and combines its local knowledge with international expertise.**

KPMG serves the diverse needs of businesses, governments, public-sector agencies, not-for-profit organizations, and the capital markets.

Our commitment to quality and service excellence underpins everything we do. We strive to deliver to the highest standards for our stakeholders, building trust through our actions and behaviors, both professionally and personally.

Our values guide our day-to-day behavior, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.



## **Integrity**

We do what is right



## **Excellence**

We never stop learning and improving



## **Courage**

We think and act boldly



## **Together**

We respect each other and draw strength from our differences



## **For Better**

We do what matters.

Our purpose is to inspire confidence and empower change. By inspiring confidence in our people, clients and society, we help empower the change needed to solve the toughest challenges and lead the way forward.

KPMG's Impact Plan guides our commitments to serving our clients, people and communities across four categories: Planet, People, Prosperity, and Governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the United Nations Sustainable Development Goals, so all our communities can thrive and prosper.

We are dedicated to helping our clients achieve their goals, and advancing sustainable progress to ensure that all our communities thrive. Empowered by our values, and committed to our purpose, our people are our greatest strength. Together, we are building a values-led organization of the future. For better.

**Disclaimer:** Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



# Contact



**Antonio Tapia**  
Partner  
Head of Transfer Pricing –  
UAE and Oman  
antoniotapia@kpmg.com



**Ankur Bhagat**  
Director  
Transfer Pricing – UAE  
abhagat2@kpmg.com



**Ramya Iyer**  
Director  
Transfer Pricing – UAE  
riyer2@kpmg.com



**Mike Uziak**  
Director  
Transfer Pricing – UAE  
muziak1@kpmg.com



**Claire Boushell**  
Director  
Transfer Pricing – UAE  
cboushell@kpmg.com

## Follow us on:



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG Middle East LLP, a Jersey limited liability partnership, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. Designed by Creative UAE

Publication name: Transfer pricing compliance in the UAE

Publication number: 6706

Publication date: September 2026