



Transfer Pricing Essentials

Going Beyond the Numbers on the UAE CT Return

September 2025

The UAE Corporate Tax ('CT') Law became effective from 1 June 2023 and a covered taxpayer is required to file its CT return with the Federal Tax Authority ('FTA') no later than 9 months from the end of the relevant tax period.

For most taxpayers in the UAE, the filing deadlines translate to 30 September 2025 for tax period 1 Jan 2024 – 31 Dec 2024. As part of the UAE CT return, taxpayers are required to submit comprehensive financial information to determine their taxable income and corresponding tax liability, as well as mandatory disclosures related to their transfer pricing ('TP') arrangements.

Based on FTI Consulting experience, this alert covers some of the considerations and points covered taxpayers should note whilst completing TP disclosures in the CT return.

Brief overview of UAE Transfer Pricing disclosure requirements

The UAE CT Law requires taxpayers to substantiate whether their controlled transactions¹ are at arm's length, and if not, make corresponding adjustments in their tax return. Given the absence of personal tax in the UAE, there is an additional peculiar nuance in UAE TP regulations that covers transactions with Connected Persons (largely defined as individuals and their related parties who are owners / directors of the business) to also be within the arms length remit.

At the CT return filing stage, while detailed TP policy, agreements, Local File or Master File are not required to be submitted, some of the high value related party/connected persons transactions need to be disclosed in a separate schedule (hereinafter referred to as the 'Disclosure Form'). Below is a summary of the Disclosure Form requirements:



Disclosure Form

Related Party Transaction Schedule is required where:

- Aggregate value of transactions with related parties exceeds AED 40 million; and
- Aggregate value of transactions per category exceeds AED 4 million
 - Goods, Services, Intellectual Property, Interest, Assets, Liabilities and Others
- Details to be disclosed includes:
 - Name of the Related Party, Transaction Type, Tax Residence, Corporate Tax Number, Gross Income/ Expense, TP Method, Arm's length Value, Tax Adjustment (for any adjustment tax decreases the taxable income will only be allowed upon approval by the FTA)

Note:

- Separate forms are required to be filled for Income/ Expenses
- Income and expense should not be netted off

Connected Person Schedule is required where:

- Aggregate value of transactions with connected persons (including their related parties) exceeds AED 0.5 million; and
- Connected persons with aggregate benefits or payments (together with its related parties) exceeds AED 0.5 million are only required to be disclosed
- Details to be disclosed includes:
 - Name of Connected Person, Corporate Tax Number, Payment or Benefit, Gross Value of payment or benefit, Market Value

Practical challenges and considerations whilst completing Disclosure Forms

While for most of the controlled transactions the disclosure filing requirements appear to be straightforward, ambiguity may arise in certain cases (selected cases are discussed in the table below). For reference, FTA in its TP Guide has defined a Controlled Transaction as:

“A transaction or arrangement between Related Parties or Connected Persons. Controlled Transactions generally include the supply or transfer of tangible goods, provision and receipt of services, funding and other financial transactions, and commercial exploitation of intangible assets such as patents, brands and know-how”.

Also, all cross-border as well as domestic controlled transactions must follow the arm's length principle.



Transaction Type	Key Considerations
Intra-group loans	<p>Interest</p> <p>Where a loan is provided by an entity to its related party,² UAE TP regulations require the entity to charge an arm's length interest (as the same impacts the taxable income calculation). Accordingly, an interest on the loan provided to a related party is required to be disclosed in the disclosure form.</p> <p>Principal</p> <p>The definition of Controlled Transactions encompasses funding and other financial arrangements. Although principal loan advances and repayments do not, in themselves, have a direct impact on taxable income, it is necessary to consider whether such transactions should be included in the determination of the materiality thresholds of AED 40 million (in respect of Related Parties) and AED 0.5 million (in respect of Connected Persons). Given the inclusive scope of the definition, it may be argued that both the provision of funding to a Related Party and the repayment of principal loan amounts during the relevant Tax Period ought to be taken into account for these purposes. Consequently, such transactions should also be reported in the Transfer Pricing Disclosure Form under the category of "assets/liabilities," as applicable.</p> <p>Example</p> <p>I Co. (a UAE taxpayer) provides a loan of AED 10 million to Z Co (overseas related party) in FY 2022 and a loan of AED 50 million in FY 2024. Z Co made a re-payment of AED 5 million loan at the end of 2024. Total interest during FY 2024 is AED 4.5 million. The following disclosure should be made by I Co in the related party disclosure form (income schedule):</p> <p><i>Loan provided during FY 2024 (category "Assets") – AED 50 million</i></p> <p><i>Re-payment of loan during FY 2024 (category "Assets") – AED 5 million</i></p> <p><i>Interest on loan (category "Interest") – AED 4.5 million</i></p>
Outstanding balance for unreasonable period (Deemed Loan)	<p>If an accounts receivable/ payable balance between related parties is outstanding for an unreasonable period (to be determined on a case-by-case basis), the extended credit period could be regarded as an advancement of loan on which a fee or interest could be charged.</p> <p>If an outstanding balance is deemed as a loan during a tax period, the said balance as well as interest thereon should be disclosed in the disclosure form . Apart from disclosure, there will also be a need to adjust the taxable income upwards by the interest amount where the interest is not booked in the financial accounts.</p>
Investment in Subsidiary	<p>When an entity makes an investment in another entity by way of capital infusion, said investment is recorded under the asset side in the Balance Sheet.</p> <p>Since investments are non-recurring capital transactions and do not involve ongoing income, interest, or service exchange flows between related parties which are the basis of TP adjustments impacting taxable income, therefore, it follows that an investment in a subsidiary should not required to be reported in the disclosure form. The same applies from an investee entity perspective.</p>

Transaction Type	Key Considerations
Recovery and Reimbursement of third-party expenses	<p>If an entity makes a payment to a third-party on behalf of a related party and recovers it from the related party, said payment may or may not pass through the statement of profit and loss.</p> <p>While these transactions may not always have any impact on the profits or loss and remain at arm's length having regard to a third party transaction,³ since the transactions involve payment/receipt of funds from a related party and could potentially involve services, these are well within the scope of controlled transactions and hence, required to be disclosed separately.</p> <p>Note that this rule applies only to the transactions of initial payments “on behalf” and do not include future settlements.</p> <p>Example</p> <p>I Co has made third party payment on behalf of its related party Z Co in year 1 and received payment in Year 2. Transaction should only be reported in year 1 and not in Year 2 when actual amount is received.</p>
Connected Person Disclosure	<p>Taxpayers are required to complete the connected person schedule for each connected person where the aggregate payment or benefit exceeds AED 500,000 per connected person (together with its related parties). Accordingly, the details to be disclosed are required at each individual connected person level and not at aggregate level (in other words, for the respective named connected person and their related parties).</p> <p>Given the profile and sensitivities around confidentiality and access of information in relation to connected person transactions, businesses may find it difficult to fully comply with this requirement at the return filing stage, leading to potential penalties for inaccurate disclosure.</p>
Transactions between entities forming part of a Tax Group	<p>As per the UAE CT Law, taxable income of a tax group is determined by aggregating the financial results, assets and liabilities of each member of the tax group and eliminating the transactions between them, as per guidance issued by the FTA. Since inter-company transactions are eliminated between tax group members, no TP requirement arises on such transactions.</p> <p>Ministry of Finance via ministerial decision no. 125 of 2023, and decision no. 301 of 2025 (repealing 125 and applying for tax periods commencing on or after 1 January 2025) provides the below instances where a tax group is required to calculate taxable income attributable to one of its members using the arm's length principle:</p> <ul style="list-style-type: none"> — A member of the Tax Group has unutilised Pre-Grouping Tax Losses — A member of the Tax Group has earned income for which the Tax Group can claim a Foreign Tax Credit ('FTC') (does not exist for years commencing on or after 1 January 2025) — A member of the Tax Group has unutilised carried forward pre-Grouping Net Interest Expenditure — A new member joins an existing Tax Group, and that existing Tax Group has unutilised Tax Losses (MD 301 of 2025) <p>Where the taxable income is required to be calculated for a member of the tax group (due to aforementioned instances), the said taxable income should be calculated considering the arm's length principle, including that for intra-tax group transactions. Also, Article 8(2)(b) of MD 125 and 301 requires a tax group to disclose information regarding transactions and arrangements</p>

Transaction Type

Key Considerations

between the relevant members and other members of the Tax Group and between the relevant members and their Related Parties and Connected Persons as required in accordance with Article 55(1)⁴ of the UAE CT Law (i.e. the disclosure form).

Disclosure requirement is summarised as follows: .

1. Where none of the aforementioned instances exist – intra-tax group transactions are not disclosed.
2. Where one or more of the aforementioned instances exist – Intra-tax group transactions in respect of the relevant member and its related parties (including tax group members) are disclosed.

Determining Arm's Length Price

In situation where any of the aforementioned instances occur, the taxpayer should determine the arm's length price prior to filing tax returns (i.e., carry out benchmarks) for the relevant controlled transactions (even when transactions are not carried out at arm's length between tax group members) as the arm's length price will help in determining the taxable income for the relevant tax group member, so that the adequate adjustment for any of above mentioned instances can be determined.

TP adjustment

If a transaction is not carried out at arm's length and the said transaction is required to be disclosed in the disclosure form (as stated above), there is likely to be a difference between the gross value and the market value of the transaction. Given that the downward TP adjustment can only be made post approval by the FTA, the taxable income for the tax group will increase by the difference in the market value and gross value disclosed in the disclosure form (no corresponding downward adjustment is available). Therefore, we recommend carrying out transactions at arm's length within the tax group where any of the above situations arise to avoid additional tax liability.



Disclosure Form and Local File

Where a local file and a master file are required to be prepared by taxpayers (having regard to conditions of MD 97 of 2023), the UAE CT Law does not require taxpayers to attach a Master File / Local File which comprises details of the transactions and basis of arm's length conclusion with benchmarking support. Instead, the master / local file is required to be submitted only upon request by the FTA. Therefore, many taxpayers may opt not to prepare the local file before filing the CT return and may only prepare the same upon the request of the FTA.

As a part of the disclosure form (required to be submitted along with the return), in addition to the names of related parties and description of the transactions, the taxpayer is required to choose the most appropriate TP method for each disclosed transaction. Accordingly, if the taxpayer intends to prepare the Local File after filing the CT return, it is advisable that the TP methodology and the basis is finalized in advance to avoid inconsistencies in arm's length outcomes. It is strongly recommended that local files are prepared in advance of filing the CT return, while submitting such local file may only be on request by the FTA.

Some other checks and balances before filing the CT return:

Before you press the "submit" button on your CT return, it is worth thinking about the below points from a TP standpoint:

- Are the reported amounts traceable to the tax group financial statements
- Are the transactions (goods, services, IP, financing, etc.) reported consistently across the Disclosure Form, Local File, and Master File of UAE and other countries
- Is the TP methodology and basis of arriving at arm's length values finalised and can the Local File (if not prepared) be prepared to support all the disclosed transactions if requested by the FTA
- Is the supporting analysis documented for any arm's length adjustments made outside the books (including FTA's approval for any downward adjustments as required under para 16.1.9 of the Tax return guide)
- Is there any overlapping between Related Party and Connected Person schedules

Concluding Thoughts/ How we can help

Incorrect or incomplete disclosures are likely to incur penalties and attract increased scrutiny from the tax authority. Accordingly, it is paramount that due regard is given to the above recommendations. This guidance becomes even more critical for businesses considering that the first year of compliance will set out the tone for position adopted in the subsequent years.

At FTI Consulting, we have a strong global transfer pricing team with local experts who can guide you and partner with you -on your UAE transfer pricing journey in the below aspects:

- **TP policy development and implementation**
Design and formalize internal TP policies that align with business models and regulatory expectations, ensuring consistency across jurisdictions.
- **Transaction mapping**
Identify and classify all Related Party and Connected Person transactions, ensuring alignment with financial statements disclosures and TP requirements and thresholds.
- **Arm's length analysis**
Apply appropriate TP methods and benchmark results to justify the pricing of controlled transactions.
- **UAE TP compliance and documentation**
Accurately complete the TP Disclosure Form, ensuring consistency with the CT return and supporting documentation that meets OECD and UAE requirements, including functional analysis and economic rationale.
- **Audit Readiness and Risk Mitigation**
Prepare position papers and advise on documentation strategies to mitigate potential exposure and penalties in compliance with UAE CT Law.

¹ Transfer pricing guide issued by FTA defines controlled transactions as the transactions or arrangements between two parties that are Related Parties or Connected Persons.

² Related party hereinafter includes connected persons.

³ Subject to any handling fees/ administrative fees that may be warranted in a third party scenario based on the functional analysis

⁴ Reference to Article 55(1) of the CT law is only in MD 301 of 2025 and not in MD 125 of 2023

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