



# Transfer Pricing in the UAE - Are you ready?

June 2022



## In brief

On 31 January 2022, the UAE Ministry of Finance (MoF) announced the introduction of a federal corporate tax (CT) in the UAE that will be effective for financial years starting on or after 1 June 2023. Further, on 28 April 2022, the UAE MoF issued a public consultation document that contains information on the proposed UAE CT regime.

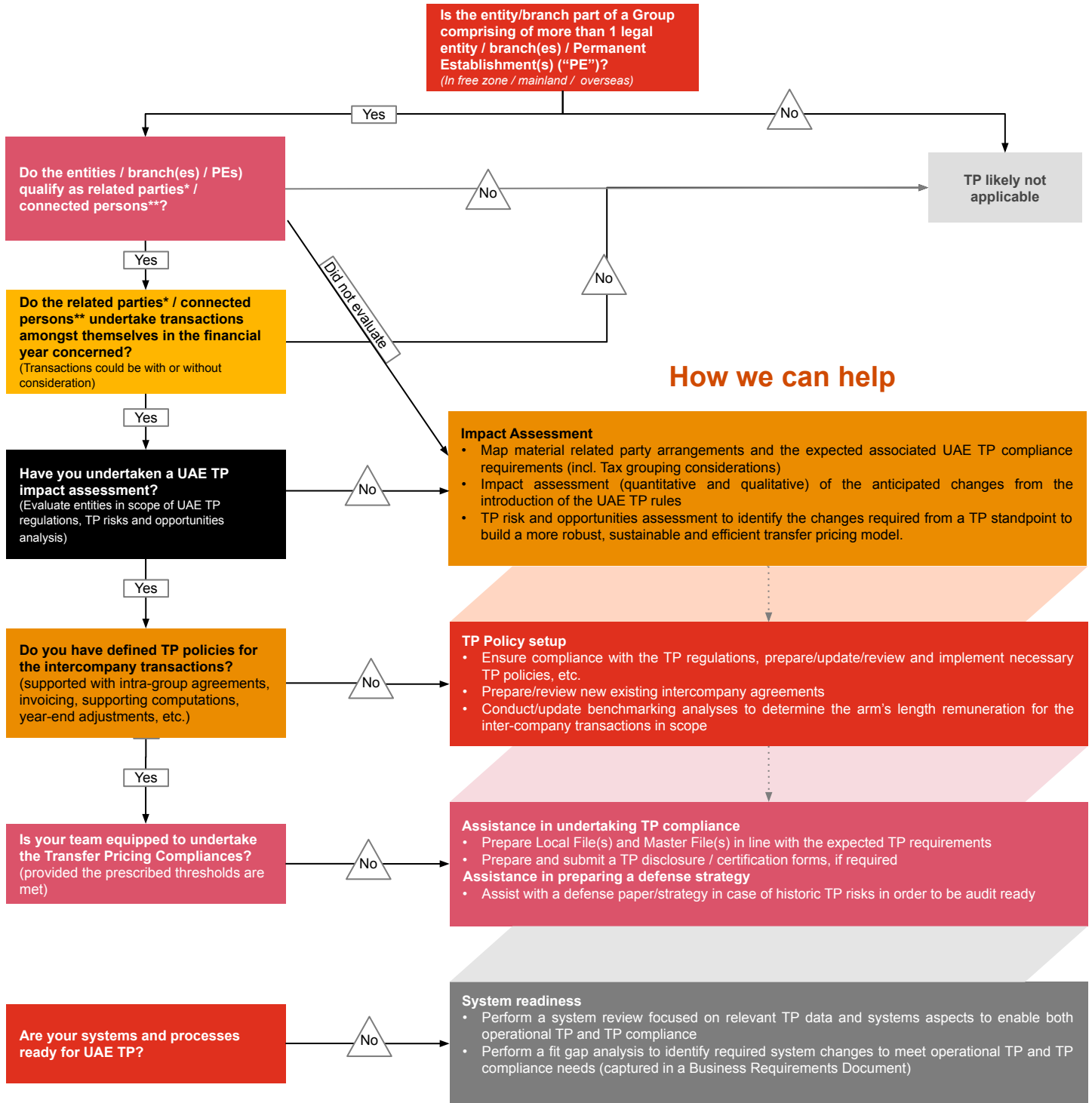
Based on the information released by the MoF so far, the proposed UAE CT regime will cover the introduction of formal transfer pricing (TP) rules and TP documentation requirements in line with the TP Guidelines issued by the Organisation for Economic Cooperation and Development (OECD TP Guidelines). In addition, the public consultation has also provided an insight into the upcoming TP regulations and its applicability.

In light of the above, it becomes important for businesses to evaluate the impact of the impending UAE TP regulations. We have therefore provided a simplified TP Application Matrix to help businesses assess their preparedness for what lies ahead.





# Transfer Pricing Application Matrix



## How we can help

The introduction of TP Regulations in the UAE presents businesses with a unique opportunity to implement tax efficient and optimal TP models and set up a robust base for defending their TP policies in the years to come



## Related Parties and Connected Persons

**Note 1 - Related Parties** - A related party is an individual or entity who has a pre-existing relationship with a business that is within the scope of the UAE CT regime through ownership, control or kinship (in the case of natural persons). There are different rules for determining whether parties involved in a transaction are considered “Related Parties” for UAE CT purposes. These are summarised below:

- 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

**Note 2 - Connected Persons** - A person will be considered as ‘connected’ to a business that is within the scope of the UAE CT regime if he or she is:

- An individual who directly or indirectly has an ownership interest in, or controls, the taxable person
- A director or officer of the taxable person
- An individual related to the owner, director or officer of the taxable person to the fourth degree of kinship or affiliation, including by birth, marriage, adoption or guardianship
- Where the taxable person is a partner in an unincorporated partnership, any other partner in the same partnership
- A Related Party of any of the above

### Let's talk

For a deeper discussion on the above, please contact:

Safae Guennoun

Middle East Transfer Pricing Leader

safae.guennoun@pwc.com

Zachary Noteman

Transfer Pricing Partner

zachary.noteman@pwc.com

Zeeshan Humayun

Transfer Pricing Director

humayun.zeeshan@pwc.com

Antonio Tapia

Transfer Pricing Director

antonio.a.tapia@pwc.com

Jorge Simoes

Transfer Pricing Director

jorge.simoes@pwc.com