

# UAE Transfer Pricing Regulations – A Comparative Snapshot III

May 2023

## Background

UAE introduced federal decree-law on corporate tax, called the Federal Corporation Tax ('CT') on 9th December, 2022. In the previous two editions of UAE Transfer Pricing ('TP') bulletin we had provided a comparative overview of the salient features of UAE and Indian TP regulations. In this edition, we dive further into some key aspects of TP regulations provided in the Ministerial Decision No. 97 published on May 11, 2023 and the detailed Explanatory Guide to UAE CT Law published on May 12, 2023. Below is a comparative snapshot of the key aspects of Transfer Pricing Regulations between UAE and India.

## COMPARISON: INDIA AND UAE

Particulars	UAE	India
<b>Applicability of TP Documentation</b>	<p>Taxable Persons that meet either of the following conditions shall maintain <b>both</b> Master File and a Local File for the relevant tax period:</p> <p>-Where taxable person being a Constituent Entity of a Multinational Group has a total consolidated Group Revenue of AED 3.15 Billion (i.e. appx. USD 858 Million) or more; or</p>	<p>Separate thresholds are prescribed in the regulations for both Local File and Master File:</p> <p>- <b>Local file:</b> shall apply in cases where aggregate value of international transactions is INR 10 Million (i.e. appx. USD 1.2 Million) or more in a relevant financial year;</p>

Particulars	UAE	India
	<p>-Where taxable person's revenue in the relevant tax period is AED 200 Million (i.e. appx USD 55 Million) or more.</p>	<p>- <b>Master File:</b> Shall apply in the following cases:</p> <ul style="list-style-type: none"> <li>▪ Where the consolidated group revenue for the relevant accounting year exceeds INR 5,000 Million (i.e. appx. USD 60 Million); and</li> <li>▪ The aggregate value of international transactions, as per books of account, during an accounting year (i) exceeds INR 500 million (i.e. appx. USD 6 Million) or (ii) transaction in respect of intangible property, aggregate value of such transaction exceeds INR 100 Million (i.e. appx. USD 1.2 Million)</li> </ul>
<p><b>Remarks</b></p>	<p>The format of the Master File and Local File is yet to be prescribed by FTA.</p>	<p>Detailed format for both Master File and Local File are prescribed in the Income Tax Rules.</p>

Particulars	UAE	India
<b>Time Period of filing TP Documentation</b>	Regulations require the maintenance of both the Master File and the Local File, same are, required to be submitted with the tax authority within 30 days of date of request.	<p><b>-Local File:</b> Should exist latest by the date of filing the TP form and required to be submitted with the tax authority within 10 days of such request by the tax authority.</p> <p><b>-Master File:</b> To be filed on or before due date (of filing of Return of Income)</p>
<b>Arm's Length Price/Range</b>	Specifies an acceptable arm's length price to be a range of results (rather than an absolute number). Therefore, from a plain reading it appears that every result that will fall within the full range, would principally comply with the arm's length standard.	The arm's length range is between 35th percentile to 65th percentile in case of six or more than six comparable uncontrolled results/prices (in other cases arithmetic mean with a +/- 3% band flexibility).

## AMICUS COMMENTS

The Explanatory Guide provides an explanation of the meaning and intended effect of each Article of the UAE CT. It may be used in interpreting the corporate tax law and must be read in conjunction with the UAE CT along with the relevant decisions issued from time to time by the FTA.

The threshold for maintaining TP Documentation is significantly high compared to Indian Regulations. However, one may still need to comply with the arm's length principle even if the threshold for TP Documentation is not met as a TP disclosure form may still have to be filed. The guidelines with respect to TP disclosure form and its applicability are still awaited.

Further, the preference of full range over an absolute value (such as mean/median) would provide Taxpayers with a significantly greater flexibility in setting the arm's length price.

Now that detailed guidelines are provided by the FTA and the UAE CT coming into force, businesses should begin to evaluate potential implications on their operations.

## ABOUT AMICUS

Amicus is legal and tax consulting firm with focus on corporate finance, re- structuring, private equity, international taxation, transfer pricing and goods and services tax. The Firm's tax team also represents clients in assessments and litigation including Tax Tribunal and Higher Courts.

The Firm focuses on providing efficient, effective, solution- oriented advice and representation based on specialist knowledge and experience. Amicus' boutique tax practice has been consistently ranked as a leading practice by Legal 500, Asia Law and World Tax (ITR).



## Our Locations

**Delhi** I-1, Jangpura Extension  
New Delhi-110014

**Tel: 011-4155 3433**  
**011-4054 1821**

**Noida** 620, Tower B, Advant Business Park,  
Plot #7, Noida-Greater Noida Expressway,  
Sector 142, Noida,  
Uttar Pradesh - 201305

**Tel: +91 120 429 2578**

**Mumbai** DBS Business Center, Bldg. No., 213,  
Raheja Chambers, 2nd Floor, Free  
Press Journal Marg, Nariman Point,  
Mumbai - 400021. INDIA

**Tel: +91 22 4050 9490**

**Email: [info@amicusservices.in](mailto:info@amicusservices.in)**

**Web: [www.amicusservices.in](http://www.amicusservices.in)**

### **Key Contacts:**

[ashutosh@amicusservices.in](mailto:ashutosh@amicusservices.in)

[shivi@amicusservices.in](mailto:shivi@amicusservices.in)

[madhav@amicusservices.in](mailto:madhav@amicusservices.in)

[kinshuk@amicusservices.in](mailto:kinshuk@amicusservices.in)