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UAE Transfer Pricing & Tax Wrapped 2025 :
What Changed and Why It Matters

Overview of this Alert

- 2025 marked a structural inflection point in the UAE tax landscape. Following the introduction of Corporate Tax and Transfer Pricing in prior years, the focus shifted decisively toward implementation, disclosure, and enforcement. For the first time, businesses were required to operationalize transfer pricing within Corporate Tax filings, supported by contemporaneous documentation and formal disclosures to the Federal Tax Authority.
- This shift repositioned transfer pricing from a technical compliance exercise to a core driver of taxable income, audit exposure, and effective tax outcomes, reflecting the UAE's progression toward a mature, OECD-aligned tax regime supported by enhanced procedures, dispute resolution mechanisms, and minimum tax frameworks.

Key Highlights | UAE Transfer Pricing – 2025

- TP is now embedded in Corporate Tax filings
- Audit-ready Local & Master Files are mandatory
- TP, tax, and financials must align
- Adjustments expected before filing
- Free zone benefits require arm's-length substance
- TP impacts Pillar Two / DMTT ETRs
- OECD Guidelines guide audits and interpretation
- Substance over contracts drives outcomes

Key 2025 UAE Regulatory & OECD Updates Relevant to TP

Ministerial / Cabinet Decisions

Ministerial Decision No. 88 of 2025 – OECD GloBE Model Rules, Commentary, and Administrative Guidance incorporated into UAE law (retroactive from 1 Jan 2025)

Ministerial Decision No. 97 of 2023 – Continues to govern TP documentation requirements applied in 2025 filings

Ministerial Decision No. 301 of 2024 – Updated tax group framework effective for periods starting 1 Jan 2025 (with TP implications)

Ministerial Decisions No. 229 & 230 of 2025 – Enhanced Qualifying Free Zone Person (QFZP) framework, including expanded qualifying activities, market-based pricing benchmarks, recognised pricing agencies, and tighter substance & TP requirements (retroactive from 1 June 2023)

Cabinet Decision No. 174 of 2025 – APA fee framework formalised (effective 1 Jan 2026)• Cabinet Decision No. 129 of 2025 – Harmonised, non-compounding penalty regime introduced (effective April 2026)

FTA / Ministry of Finance Actions

- First full Corporate Tax return cycle with TP disclosures
- 30-day deadline to furnish TP documentation upon request
- Formal Mutual Agreement Procedure (MAP) guidance issued (June 2025), including access for self-initiated TP adjustments and multiyear settlements
- Reinforced expectation of audit readiness and consistency across TP, tax, and accounting positions

OECD Developments

- OECD Transfer Pricing Country Profile – UAE (Oct 2025) confirming alignment with OECD TP Guidelines (2022)
- OECD standards explicitly relied upon as the interpretive benchmark in UAE TP audits
- Pillar Two administrative guidance embedded into UAE law via Ministerial Decision 88/2025

Key regulatory developments

Transfer Pricing Goes Live

From policy to filing reality:

- Mandatory TP disclosures embedded in Corporate Tax returns (EmaraTax)
- Contemporaneous, audit-ready Local File and Master File expected
- TP adjustments required before filing, not post-filing
- Misalignment between TP, financials, and tax filings now viewed as an audit trigger

Substance Takes Centre Stage

How transactions are structured matters as much as pricing

- Deeper scrutiny of intercompany services, risk allocation, and DEMPE
- Focus on alignment between contracts and actual conduct
- Free zone entities must actively demonstrate substance and arm's length outcomes to retain 0% CT benefits
- Licensing status alone is no longer sufficient

Pillar Two Meets Transfer Pricing

Pricing decisions now affect minimum tax outcomes

- UAE Domestic Minimum Top-Up Tax (DMTT) effective for FYs starting 1 Jan 2025
- Transfer pricing outcomes directly influence UAE ETR calculations
- Low-taxed TP structures may trigger domestic top-up tax
- UAE DMTT granted OECD transitional qualified status, reducing double taxation risk

Looking Ahead | Why 2026 Will Matter More

- 2025 marked the year transfer pricing became operational under the UAE Corporate Tax regime. With filings, disclosures, and documentation now on record, the focus is shifting from readiness to verification and review.
- As tax authorities begin analysing filed data, consistency, substance, and comparability are expected to receive increased attention. Transfer pricing is therefore evolving from a year-end compliance task into an ongoing governance and risk management function, requiring continuous alignment with business operations, profitability, and minimum tax considerations.

LOCAL CONNECT. GLOBAL OUTLOOK.

SBC Tax Consulting LLC (SBC) is a niche tax advisory firm specializing in Transfer Pricing, Corporate Tax, International Tax, BEPS, and tax structuring services for multinational enterprises across diverse industries. Headquartered in Dubai, with a strong presence in Abu Dhabi, SBC supports clients across Middle East and globally, complemented by established operations in India and the United States.

SCOPE OF SERVICES

- TP Advisory, Benchmarking & Compliance Services
- APA - Assessment & Filings
- Corporate Tax (CT) Services
- Pillar Two Readiness & Compliance
- Restructuring Services (M&A)
- Anti-Money Laundering (AML)
- FTA Audit - Litigation Support
- Automation - CT & TP

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- *Recognised Corporate Tax Firm 2026*
- *Notable Transfer Pricing Firm 2026*
- *Notable Practitioner- Transfer Pricing 2026*
- *Tier 2 Firm 2026*
- *Notable Transfer Pricing Firm 2024*

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