Part – 3: Local File & Master File Documentation

KSA Transfer Pricing Bylaws (Articles 17 &16)

The **Local File** documents an entity's-controlled transactions and substantiates their arm's length nature. The **Master File** provides a high-level overview of the MNE group's global business operations, organizational structure and transfer pricing policies. While the LF and MF are threshold-based, the Disclosure Form is mandatory irrespective of thresholds.

✓ Applicability

Must Maintain *(Subject to Threshold)*

Corporate Taxpayers
(including foreign-owned entities)

Mixed Companies
Entities with both GCC and non-GCC holding

Entities with Controlled Transactions
Entities engaged in intra - group (controlled) transactions

Exempt (Subject to Threshold)

Natural Persons
Resident or non-resident natural persons doing business in the Kingdom

Small Taxpayer
Tax payers/mixed companies with aggregate value of controlled transactions ≤ SAR 6M

Small 100% Zakat Payer
100% Zakat paying entities with aggregate value of controlled transactions ≤ SAR 48M

Category	Phase	Controlled Transactions	LF & MF Requirement
Zakat Payers	Phase 1 (FY 2024 – 2026)	≤ SAR 48 million	Exempt
		> SAR 48 million to ≤ SAR 100 million	Optional
		> SAR 100 million	Mandatory
	Phase 2 (FY 2027 onwards)	> SAR 48 million	Mandatory
Taxpayers/ Mixed Companies	All Periods	> SAR 6 million	Mandatory
		≤ SAR 6 million	Exempt

Must Maintain
Corporate taxpayers, mixed companies & zakat payers with controlled transactions above thresholds

Exempt
Natural persons, 100% Zakat payers ≤ SAR 48M, corporate taxpayers and mixed companies ≤ SAR 6M

Optional (Phase 1)
Zakat payers with controlled transactions > SAR 48M but ≤ SAR 100M (FY 2024–2026)

Keynote by SBC – Filing Deadline vs. Maintenance Obligation

While **30 April** is the prescribed deadline for the **Disclosure Form of Controlled Transactions (DFCT)**, the Local File and Master File are not required to be filed with ZATCA. It is however strongly recommended that both be **updated as on** the date of the tax return filing and maintained contemporaneously. Documentation must be furnished within 30 days of a formal ZATCA request.

Part – 3: Local File & Master File Documentation

KSA Transfer Pricing Bylaws (Articles 17 &16)

Local File – Key Contents

Taxpayer Profile
Org structure, management, business activities & strategy

Controlled Transactions
Related parties, intercompany agreements & FAR analysis

Industry Analysis
Competitive landscape, market dynamics & positioning

Financial Information
Audited financials, transaction values & allocation data

TP Methodology
Method selection, comparability & arm's length results

Master File – Key Contents

Group Overview
MNE structure, legal entities & operational footprint

Group Business
Key value drivers, supply chain & principal markets

Intangibles
IP ownership, DEMPE functions & related agreements

Financial Activities
Intercompany financing, treasury & key arrangements

TP Policies
Group-wide TP policies, rulings & APAs

Annual Updates: The Local File & Master File must be refreshed each FY - updated entity information, financial data, and updated TP Policies (with latest available benchmarking information).

Indicators That May Prompt Transfer Pricing Scrutiny by ZATCA

- Material inconsistencies between the Local File, audited financial statements, and the DFCT.
- Insufficient functional analysis, inadequate transfer pricing method justification, or absence of a coherent economic rationale
- Reliance on outdated or non-comparable benchmarking data that fails to reflect prevailing market conditions
- Failure to furnish compliant documentation within the statutory 30-day period upon ZATCA's formal request

How can SBC Help?

SBC provides end-to-end support to ensure your Local File and Master are both compliant and defensible under ZATCA requirements:

- **Local File Preparation:** Robust, audit-ready documentation aligned with KSA TP regulations
- **Master File Preparation:** Group-level documentation capturing global operations, organizational structure, value chain, intangibles, financing arrangements, and overall TP policies of the Group.
- **TP Analysis & Benchmarking:** Detailed FAR analysis, method selection, and defensible benchmarking using reliable databases.
- **Policy Alignment & Audit Support:** Review of intercompany agreements, alignment of pricing with actual conduct, and assistance with ZATCA audits including 30-day readiness and ongoing TP advisory.