



Operational Transfer Pricing in focus during UAE's first tax season

November 2025

A large, decorative graphic consisting of two orange parallelogram shapes. The first parallelogram is positioned on the left, and the second one is to its right, slightly higher and overlapping the first one. They are both oriented diagonally, with the top-left corners pointing towards the top-left of the page.

In brief

Businesses based in the UAE are navigating the first tax compliance cycle for FY24, a milestone that reinforces the importance of having a robust operational Transfer Pricing (OTP) framework, particularly for larger domestic and multinational groups.

OTP spans the entire TP lifecycle, from budgeting and policy design, to implementation, monitoring, reporting and compliance, and audit support. Gaps at any stage can lead to risk, unnecessary costs and inefficiency, often only becoming visible when tax returns and TP documentation have been completed months after year-end books have closed.

In detail

First UAE TP compliance cycle

For FY24, companies prepared annual TP Disclosure Forms and Local Files for the first time. While several companies prepared early, many encountered challenges. From our experience, we've seen consistent issues that created tax risks, extra costs, and inefficiencies for companies, for example:

- lack of formal TP policies
- missed filing deadlines leading to penalties and risk exposure
- last-minute, tax return adjustments to align with TP policies, often resulting in double taxation
- reported losses in limited-risk entities
- centrally prepared documentation, not correctly localised for UAE TP compliance
- multiple advisers and stakeholders preparing the TP compliance reports, causing inconsistencies, duplication, errors, and wasted efforts
- weak governance and control frameworks, increasing time and cost to prepare disclosure forms and local files on time.

These challenges can be mitigated by having a robust OTP process and governance framework in place that aligns accountabilities for data gathering, people, processes and enabling technology across the lifecycle.

Defining a robust OTP and governance framework

Document the OTP framework in a governance manual owned by the Head of Tax and endorsed by the C-suite and Board of Directors. Its purpose is to reduce compliance effort whilst ensuring TP risk is managed and opportunities are identified and optimised for cash tax burden, impact on P&L earnings (ETR) and balance sheet (deferred tax liabilities and uncertain tax positions).

The OTP framework should:

- Set out the group's approach to transfer pricing and require all stakeholders across tax, finance and business to understand and adhere to the approved policies
- Define clear roles and accountabilities mapped to each stage of the TP lifecycle
- Embed internal controls and monitoring mechanisms to ensure TP policies remain compliant with tax rules and ensure accurate implementation during the year with the least amount of time and resources.
- Specify critical reporting dates and review and approval cadences, using monitoring tools to proactively manage TP policy execution and provide real-time insights for the business.

Key steps in an effective year-end TP process

Analysis & Adjustment

- Year-to-date (YTD) financial results are analysed early in Q4, with access to forecast data for the remaining months, well in advance of year-end closing.
- Transactional methods (CUP, resale price, cost plus) require documented adherence to comparable uncontrolled prices and should be evidenced via e.g., quarterly checks.
- Profit-based methods (TNMM and PSM) use company or segment ledger data to calculate YTD operating profit and are compared to benchmarks (per usual quarterly checks).
- All supporting data and evidence are stored contemporaneously through quarterly reviews for the audit trail.

Decision & Implementation

- By early Q4, tax, finance, and business working committees decide and post required TP adjustments to align with TP policies (e.g., increase purchase prices, issuing credit and debit notes, invoicing additional amounts for services performed, etc.).

Exposure Analysis & Audit

- By mid Q4, conduct a TP exposure analysis, review positions using materiality and qualitative screens.
- By the last month in Q4, finalise the TP exposure analysis with external auditors and record any adjustments in consolidated accounts.

Finalisation & Post-Year-End Review

- Last-minute adjustments for developments over year-end are made before consolidated group accounts close (should be on an exceptional basis) no later than workday 3 or 4 of the new year .
- Document TP provisions and exposures and obtain approvals from the audit committee and external auditors prior to annual report finalisation (approx. three months after year-end).
- Review legal entity results in March – April and ensure required TP adjustments are posted in legal entity ledgers, e.g. for true-ups of head office and functional costs recharges.

Statutory Accounts & Compliance

- The tax/transfer pricing team works with controllers to ensure statutory accounts (filed 4 –9 months after year-end) accurately reflect final TP outcomes including financial results and disclosure of related party details in the notes supported by signed intercompany agreements.
- This enables efficient preparation of tax returns and disclosure forms based on final statutory accounts and evidence gathered through the year in quarterly forums is leveraged in Local Files and the Master File.

Suggested actions

- Assess year-to-date positions and make any required TP adjustments to bring results in line with TP policies, prior to year-end close.
- Communicate any TP exposures with Senior Management and the Board of Directors.
- Design a fit-for-purpose OTP governance framework that documents the annual OTP timeline mapped to accountabilities, data flow source and extraction process, enabled within a technology ecosystem - creating a sustainable and compliant OTP governance process.

Contact us

If these challenges resonate with your business, our team can help. PwC's Operational Transfer Pricing specialists work with businesses to address pain points, mitigate risks, and unlock value through practical, technology-enabled solutions.



Steven Cawdron

Partner, Middle East
Transfer Pricing Leader
steven.cawdron@pwc.com



Nicholas Leak

Director, Operational
Transfer Pricing Specialist
nicholas.leak@pwc.com



Zeeshan Humayun

Partner, Transfer Pricing
humayun.zeeshan@pwc.com

Thank you

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