



Advanced Pricing Arrangements (APA) in Saudi Arabia (KSA)



Why APAs are suddenly in the spotlight

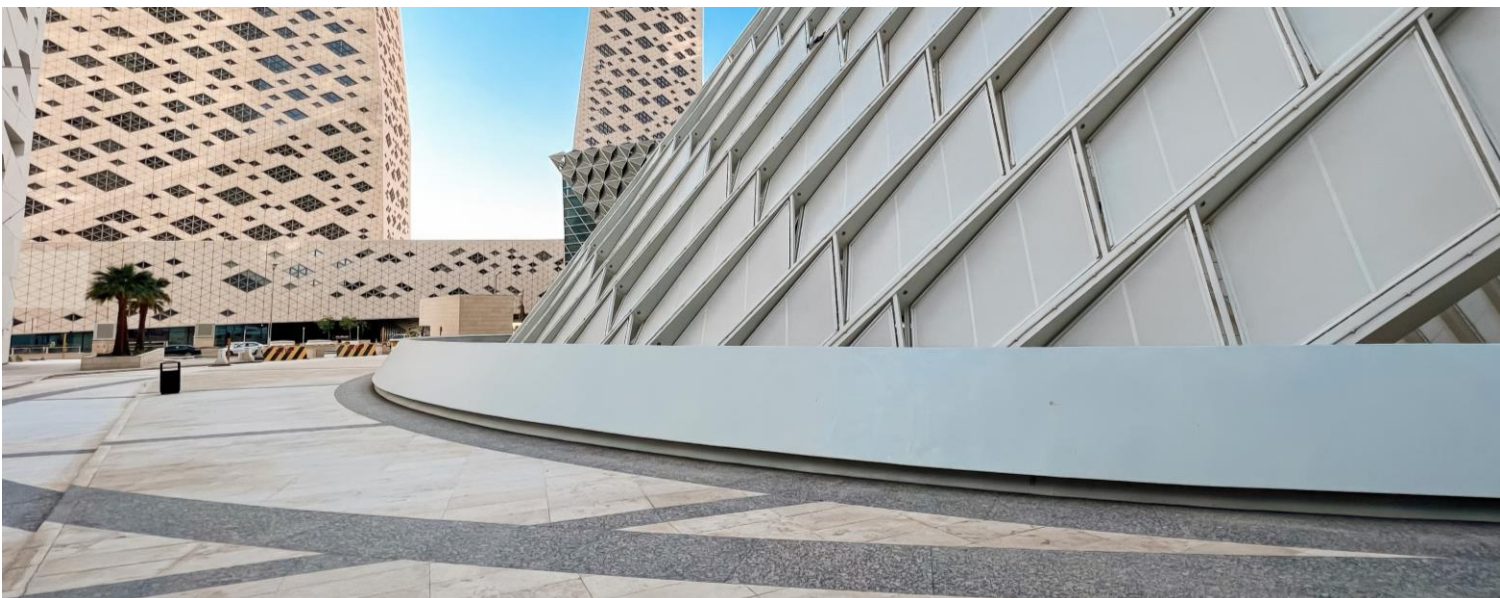
The world is going through an unprecedented uncertainty and transition over the past few years. Global tariff regimes and trade measures can shift supply chains overnight; regional geopolitical tension can disrupt logistics, commodity pricing, and risk allocation; and market volatility can swing margins well outside historic ranges. In KSA, those commercial realities intersect with a maturing transfer pricing (TP) framework and increasing expectations around documentation quality, comparability, and consistent policy application. Moreover, with the introduction of the Pillar Two regime around the world, multinationals now face additional costs and risks of “getting it wrong” when it comes to their TP policies.

It's no surprise then that Senior tax leaders in Saudi Arabia are managing TP risk in an environment that feels more at risk than it did even a few years ago.

Against that backdrop, the strategic question for many groups becomes: how do we reduce uncertainty and the likelihood of protracted TP controversy with ZATCA, while still preserving operational flexibility? One increasingly relevant answer is the Advance Pricing Arrangement (APA).

Saudi Arabia has now established an APA pathway as part of its TP toolkit, with ZATCA currently focusing on unilateral APAs with future plans to expand to Bilateral and Multilateral APAs, and providing a formal framework and electronic route to apply.

Recently, ZATCA has concluded its first APA for a large multinational consumer company, indicating the willingness of ZATCA to support taxpayers in having a mutually agreeable solution to instill certainty for TP arrangements and investor confidence.





01

What an APA is — and what it is not

An APA is:



- A forward-looking agreement on method, application, and supporting assumptions for pricing the defined intercompany transactions.



- A mechanism to reduce audit uncertainty—provided the taxpayer complies with the agreed terms and the critical assumptions hold.



- A tool to ease the record-keeping burden by specifying in advance the required documentation for demonstrating compliance with the agreed-upon terms.

An APA is not:



- A blank “comfort letter” for all TP across the entity (scope is defined and limited).



- A guarantee against double taxation where a counterparty jurisdiction does not align (especially relevant for unilateral APAs).

02

The KSA APA regime at a glance (what is available today)

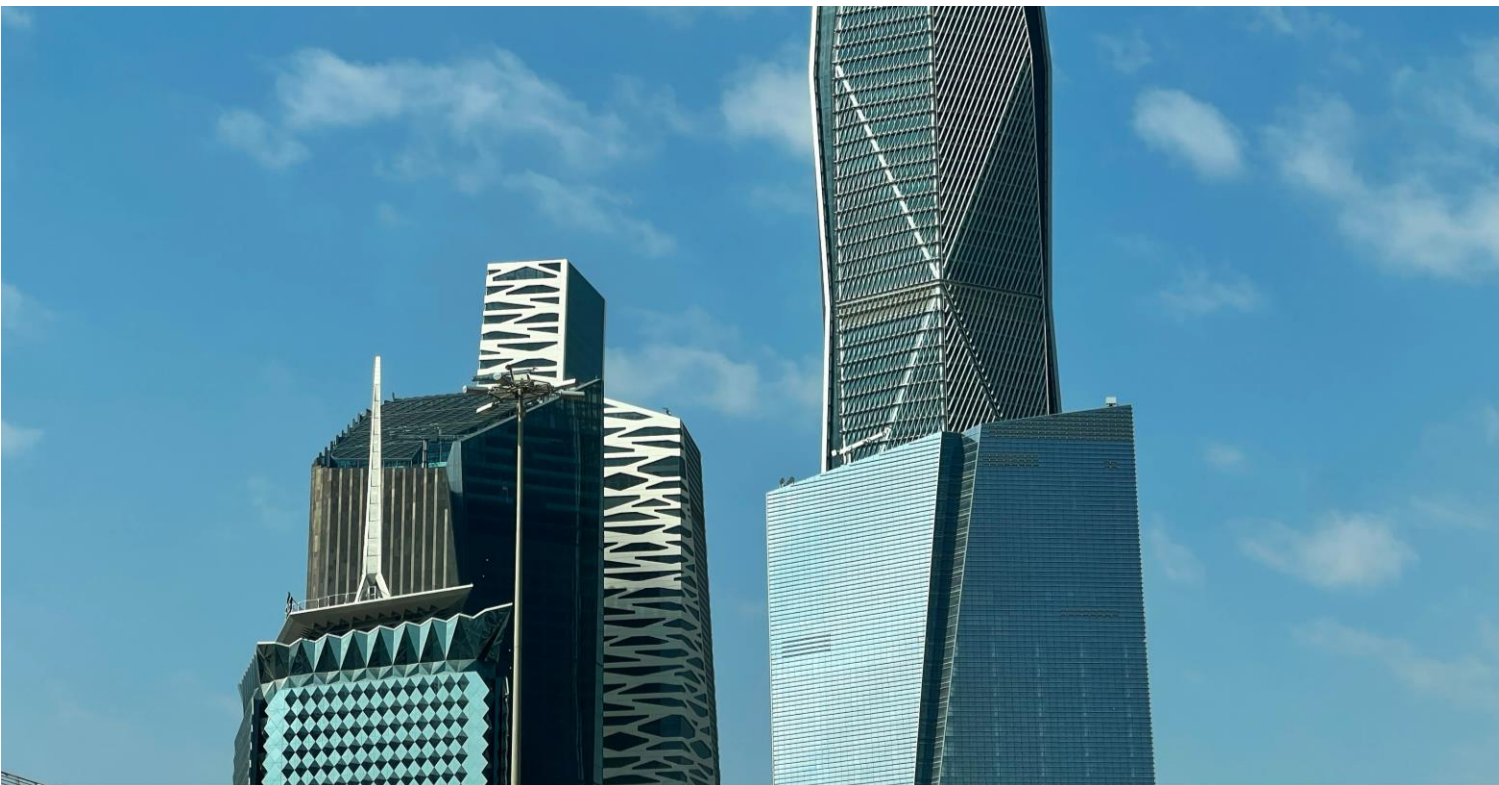
2.1 Unilateral APAs only (for now)

ZATCA explicitly states that, for now, it is only introducing unilateral APAs, and that bilateral and multilateral APAs will be processed in the future.

This matters because unilateral APAs provide certainty in KSA, but do not automatically protect the group from adjustments in the counterparty jurisdiction, i.e., only one-sided certainty. Having said this, the ZATCA is progressing swiftly in opening up the Bilateral and Multilateral APA options soon.

2.2 The program has moved from concept to execution

The unilateral APA process was publicized in May 2024, and ZATCA has since published detailed guidelines and enabled electronic submission. Additionally, market commentary notes the formal release of APA guidelines in February 2025, providing the operational detail many taxpayers were waiting for. Since the launch, many companies have submitted APA applications already to ZATCA (one of which, as previously noted, has been concluded).



03

Eligibility and key thresholds that shape whether an APA is realistic

ZATCA's APA guidelines include a practical gating criterion: each transaction covered must generally meet a minimum amount of SAR 100 million annually, although ZATCA may exempt some complex transactions from this requirement.



For multinational groups, that threshold tends to push APAs toward:

High-value distribution and manufacturing flows



Principal/limited risk models with significant KSA market exposure



Intangibles-related arrangements



Financing arrangements with large principal balances

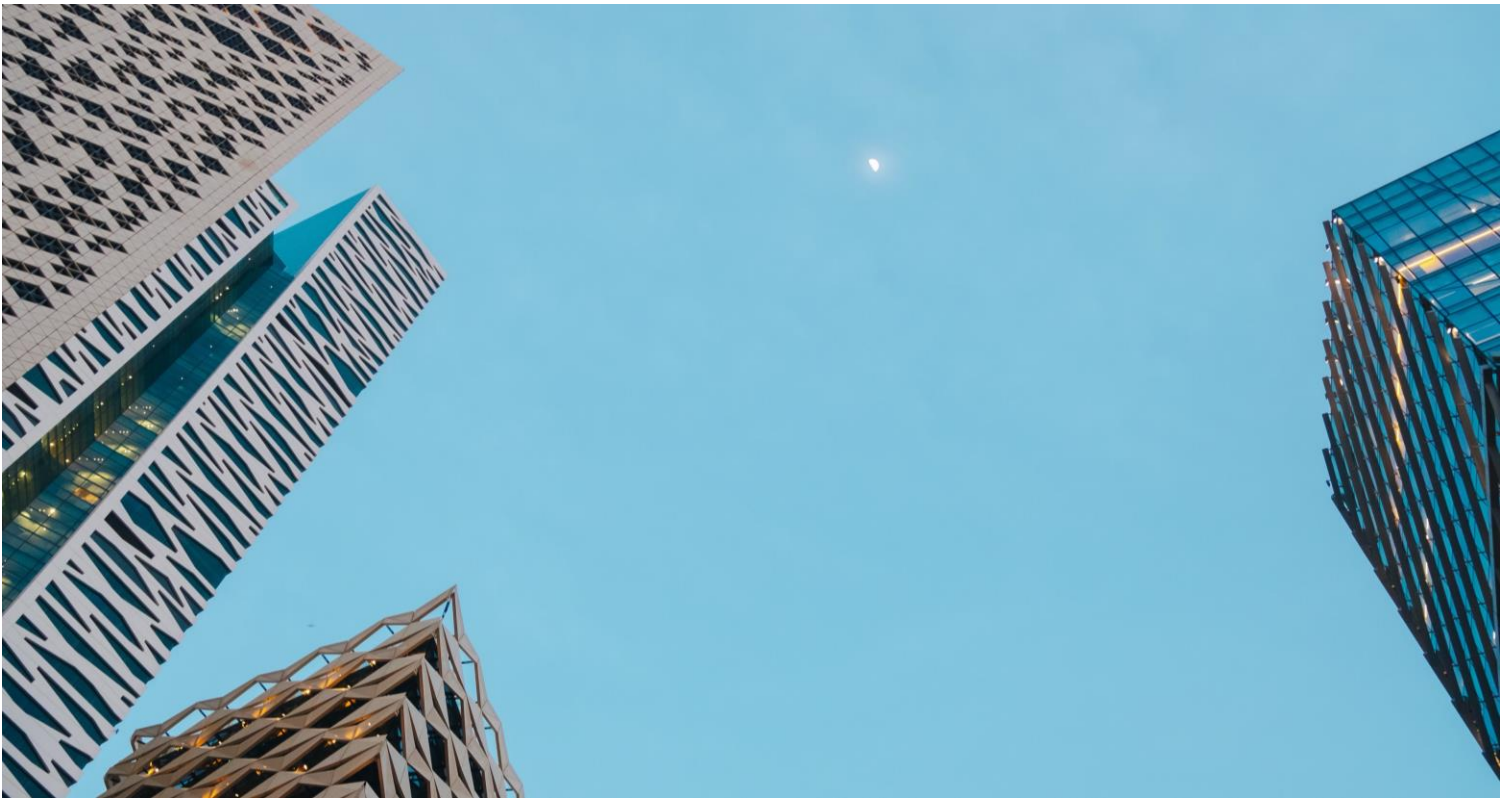


Material service/management fee structures (where benefit tests and value creation are scrutinized)



Planning implication:

even when the SAR 100 million threshold is not met, an APA may still be worth exploring if the transaction is "complex" in the sense ZATCA contemplates (i.e., the pricing is hard to determine due to the nature of the transaction). This can be discussed with the ZATCA in a voluntary pre-filing meeting.



04

Timing: build the APA into your TP governance calendar (not your audit calendar)

Two timing rules in the guideline materially affect feasibility:

4.1 Apply at least 12 months before the beginning of the first covered year

ZATCA indicates the estimated duration to finalize a unilateral APA is typically around twelve (12) months, subject to complexity, taxpayer cooperation, and negotiation rounds. From a practical experience, the ZATCA team are very proactive and cooperative which facilitates a speedy conclusion and reduces the risk of delays.



Practical takeaway:

if a group wants certainty for (say) FY2028, significant work needs to begin during FY2026–FY2027 (design, data readiness, benchmarking strategy, and internal alignment).

05

The KSA APA process — what actually happens

ZATCA outlines stages that are helpful to map into a project plan:

Pre-filing meeting (optional) 01	Submission of the APA application (electronically via ERAD portal) 02
Introductory meeting 03	Processing the APA application 04
Signing of the agreement 05	Submitting an APA Annual Compliance Report (ACR) for each covered year 06

5.1 Pre-filing meeting (optional, but strategically valuable)

Taxpayers may request a pre-filing meeting to understand the process and clarify procedural steps and initial concerns. In practice, this is often where you pressure-test:

Whether ZATCA views the transaction as APA-suitable	Whether ZATCA views that the 100 million threshold is satisfied and APA application would be accepted
The information depth and analysis expected	Whether the proposed TP method and tested party approach are directionally acceptable

5.2 Simplified compliance post signing - the ACR requirement

Once the APA is in place, ZATCA expects an Annual Compliance Report for each year covered, demonstrating compliance with the agreed method and terms, including any request for revisions or cancellations.

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APA period and scope design: make the agreement “audit-proof”

6.1 Duration

ZATCA indicates the APA period is a maximum of three (3) years.

6.2 Define covered transactions precisely

Many APAs fail (or underdeliver) not because the method is wrong, but because the scope is ambiguous:



Which flows, SKUs, services, or financing tranches?



Which legal entities are covered?



Are there “bundled” or closely linked transactions?

A well-designed scope statement also reduces the risk of “scope creep” during processing. Also, it ensures that the efforts are directed in a fruitful manner to achieve certainty by signing of the APA.



6.3 Critical assumptions and change management

The guideline highlights the importance of critical assumptions and the need to notify ZATCA if assumptions fail or changes materially affect the suitability of the method—potentially requiring revision or cancellation.

In today's volatility, critical assumptions become central. Typical examples include:

Market/regulatory conditions	01	Business model continuity (e.g., limited risk vs principal)	02
Supply chain routing and key functional locations	03	Major changes to product mix or customer concentration	04
Exceptional events affecting profitability (e.g., disruptions linked to tariffs or geopolitical shocks)			05

A strong APA file anticipates volatility by defining measurable triggers and a practical approach for “what happens next” if conditions change.

Companies also use critical assumptions to include clarificatory mechanics and conditions to explain the terms agreed under the APA.



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A practical readiness checklist for tax leaders

If you are considering an APA in KSA, readiness is less about “do we have a TP report?” and more about whether the organization can sustain a defensible position consistently.



Commercial and operational readiness

- Clear functional profile and control of risks (who decides, who bears, who funds?) including job profile of company personnel
- Documented policy alignment with actual conduct and contracts, i.e., aligned substance and form
- Reliable forecasting model for the covered transaction(s)



Technical readiness

- A method that is stable under volatility (and a plan for outliers)
- Clear tested party selection and profit level indicator rationale
- Benchmarking strategy that can withstand challenges (including data refresh expectations)



Data readiness

- Segmentable financials for covered transactions
- Ability to produce defensible year-end true-ups (if relevant)
- Documentary proof of the business model's operations
- Documentation pack that supports the ACR each year



Governance readiness

- Internal ownership (tax + finance + business)
- Change management process for critical assumptions
- A “single source of truth” for intercompany policy implementation

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Dedicated APA Team within ZATCA

A key strength of the framework is the existence of a dedicated APA team within ZATCA. The end-to-end APA process is spearheaded by a specialised team whose objective is to achieve signing of APAs, rather than being absorbed into routine audit activity.

The establishment of a separate APA team serves several important purposes.



Ensures technical consistency and depth

A specialised team enhances the quality and predictability of the review process.



Reinforces the cooperative nature of the regime

Structurally distinguishing the APA process from standard audit procedures fosters a more constructive dialogue between companies and the ZATCA.



Provides procedural clarity

The Guidelines outline defined stages and indicative timelines—approximately twelve months for concluding a unilateral APA. For multinational groups managing global compliance obligations, such clarity is critical.

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How to apply: ZATCA's electronic route

ZATCA provides an e-service that allows taxpayers to apply for an APA to determine the TP methods used for related-party transactions, in line with TP regulations and APA guidelines.

From a governance perspective, this is important: the APA process is no longer purely conceptual—it is embedded into the authority's service ecosystem.



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Closing thoughts: APAs as a strategic tool for tax certainty in KSA

For many groups, the question is no longer whether TP scrutiny will increase, but how a business can best mitigate this risk. In a volatile operating environment influenced by tariffs, geopolitical risk, and shifting supply chains, an APA can be a powerful instrument to convert uncertainty into a governed, forward-looking agreement with ZATCA.

KSA's APA framework—currently unilateral, threshold-driven, structured, and supported by guidance and an application service—creates a window for taxpayers to proactively manage controversy risk, align internal stakeholders, and stabilize outcomes.

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