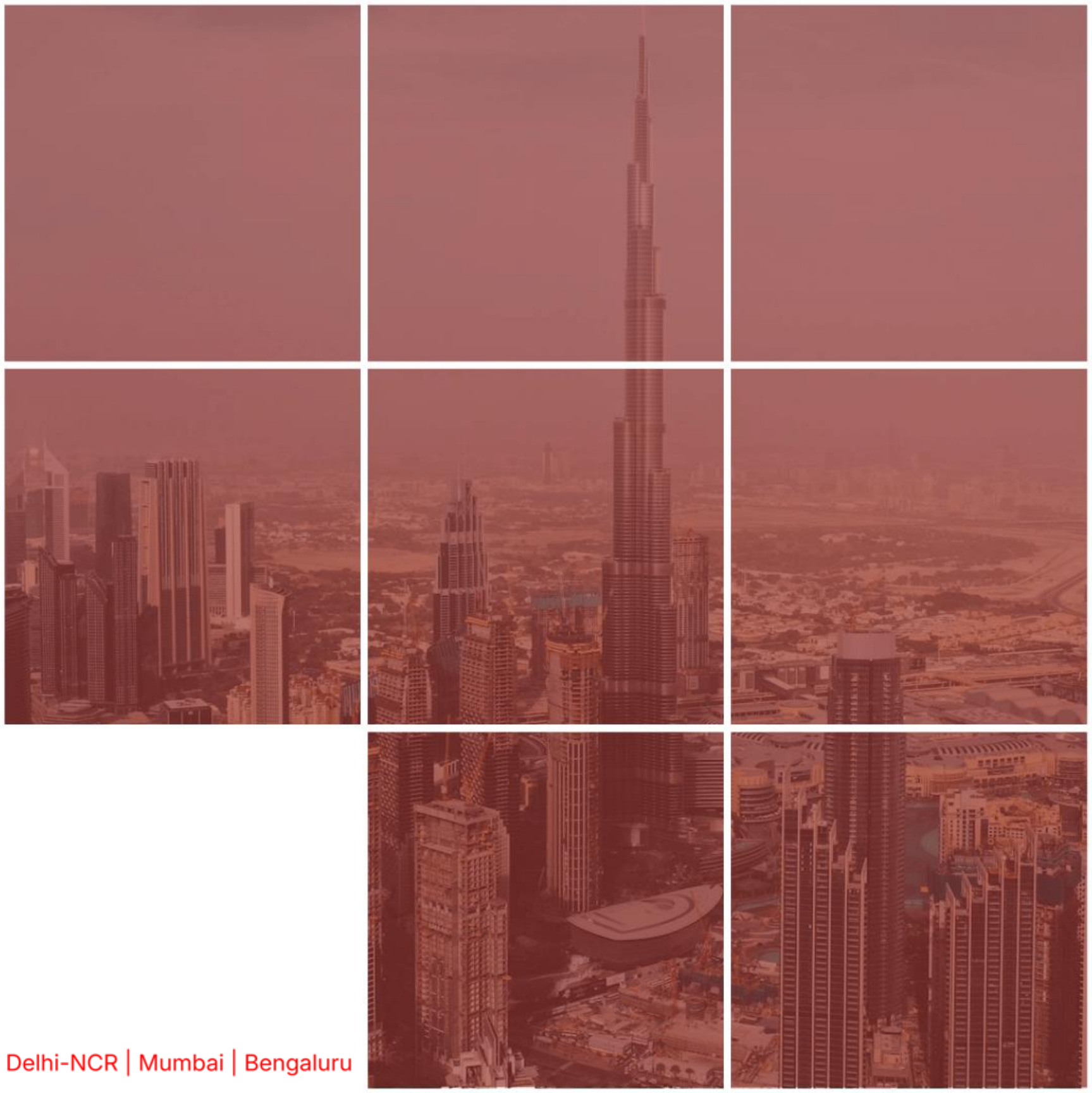




United Arab Emirates – Advance Pricing Agreement (APA) Tax Alert

2 January 2026



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UAE Corporate Tax Alert: Advance Pricing Agreement (APA) Framework Introduced

The UAE Federal Tax Authority (FTA) has issued Corporate Tax Guide CTGAPA1 on 30 December 2025, introducing a detailed Advance Pricing Agreement framework under the UAE Corporate Tax regime.

In line with Article 59 of the UAE Corporate Tax Law, taxpayers may apply for the APA to agree in advance the arm's length pricing methodology for controlled transactions, whether proposed or already entered into. The APA framework introduces a formal mechanism for achieving pricing certainty, particularly for complex or high value intercompany agreements.

This alert outlines the scope, eligibility conditions, timelines and procedural aspects of the APA framework.

1. Overview of APA

An APA is a voluntary agreement between a taxpayer and the FTA that establishes the criteria for determining the arm's length price (ALP) of specified controlled transactions.

The agreed methodology applies over a fixed, multi-year period, subject to compliance with agreed terms and assumptions. APAs are intended to:

- Enhance tax certainty & predictability
- Reduce exposure to Transfer Pricing (TP) audits and disputes
- Encourage co-operative engagement between taxpayers and the FTA.

Scope of Certainty

- Covers pricing methodology, comparability standards, and critical assumptions.
- Reduces risk of TP adjustments.

2. Unilateral APA (UAPA)

A UAPA is an agreement between the taxpayer and the FTA that may apply to domestic controlled transactions and, subject to phased implementation, cross-border controlled transactions. A UAPA is binding only for UAE Corporate Tax purposes and does not bind foreign tax authorities.

Binding Effect and Limitations

- A UAPA provides certainty only within the UAE tax framework and does not eliminate the risk of TP adjustments internationally.
- For cross-border transactions, taxpayers may continue to face double taxation exposure unless relief is sought through applicable tax treaties.
- Accordingly, UAPAs are more suitable for domestic controlled transactions or cross-border transactions where foreign tax is assessed as limited.

3. Cross-Border APA

A Bilateral APA (BAPA) and Multilateral APA (MAPA) refers to arrangements designed to achieve consistent TP outcomes across jurisdictions for controlled transactions between related parties in different countries. Such alignment is typically achieved through bilateral or multilateral engagement between tax authorities and ensures ALP method is accepted on both sides of the transaction.

Alignment Scope and Benefits

- Cross-border alignment reduces the risk of conflicting TP positions being adopted by different tax authorities in respect of the same transaction.
- By agreeing these methods across jurisdictions, taxpayers can significantly mitigate double taxation exposure.
- Cross-border APAs are generally relevant for MNEs with material intercompany transactions and increased audit risk.

4. Eligibility to Apply for an APA

When an APA may be considered

An APA may be applied for where there is deemed uncertainty in determining the arm's length price (ALP) of controlled transactions, especially in cases involving heightened audit exposure such as:

- Complex or unique controlled transactions with limited comparables.
- Transactions involving significant judgement in functional or economic analysis
- Controlled transactions that are expected to be material and recurring over multiple tax periods.

5. Materiality Threshold

In assessing eligibility, materiality of the controlled transactions is a key consideration.

As a general indicator, the aggregate arm's length price of the controlled transactions proposed to be covered under an APA is expected to be significant on a per-tax-period basis. For taxpayers forming part of a tax group, materiality is assessed at the tax group level, rather than on an entity-by-entity basis.

Controlled transactions undertaken between members of the same tax group are generally excluded for the purposes of determining materiality, subject to specific exemptions under the UAE Tax Law.

6. Key Eligibility Conditions and Thresholds

Requirement	Description	Practical Considerations
Transaction Value Threshold	≥ AED 100 million per tax period	Assessed at tax group level
Safe Harbor Transactions	Excluded from APA	Low value-adding services not eligible
Domestic UAPA coverage	Permitted in certain cases	Applies where corporate tax rates differ
Threshold Nature	Indicative, not absolute	Strong justification may support exceptions
Intra-group Transactions	Generally excluded within Tax Groups	Subject to specific statutory exceptions

The threshold is indicative and applications may be accepted/rejected depending on supporting rationale



Stages of APA approval (1/2)

01

Pre-Filing Consultation

Before submitting a formal APA application, the taxpayer is required to request a pre-filing consultation with the FTA to assess suitability of the proposed APA.

The request must be submitted in the prescribed format through a Corporate Tax registered agent. At this stage, the FTA considers the nature, scope and materiality of the controlled transactions, as well as whether an APA is an appropriate mechanism in the circumstances. The pre-filing consultation must be applied within the prescribed conditions outlined by the FTA.

02

FTA Assessment and Preliminary Outcome

Following submission of the pre-filing request, the FTA undertakes an initial assessment of the information provided and may request clarifications or conduct discussions with the taxpayer.

This assessment focuses on the complexity of the transactions, the robustness of the proposed approach and the overall suitability for an APA. Based on this review, the FTA communicates whether the taxpayer may proceed with submitting a formal APA application. A confirmation to proceed does not constitute approval of the APA but permits the taxpayer to move to the application stage.

03

Filing of APA Application

Upon receiving confirmation from the FTA, the taxpayer must submit a formal APA application in the prescribed format, together with detailed supporting documentation.

The application must be filed by the earlier of within two months from the date of notification by the FTA or at least twelve months before the first covered tax period. All application materials must be submitted in English or Arabic.



Stages of APA approval (2/2)

04

Evaluation, Conclusion and Implementation

Following submission of the APA application, the FTA undertakes a detailed evaluation, which may include examination of documentation, requests for additional information, meetings, interviews, or other forms of engagement with the taxpayer.

As part of the process, the FTA develops its own transfer pricing analysis, addressing the determination of the arm's length price, applicable criteria, and critical assumptions. The taxpayer is generally expected to provide feedback on the FTA's analysis within the prescribed timeline. Where agreement is reached, the APA is finalized and executed on mutual terms and becomes effective only for the covered tax periods.

05

Post-Approval Compliance (APA Annual Declaration)

Once an APA has been concluded, the taxpayer is generally required to comply with ongoing reporting obligations for each tax period covered under the agreement. An APA Annual Declaration must be submitted in the prescribed format, confirming that the terms and conditions of the APA have been consistently applied during the relevant tax period. The declaration focuses on adherence to the agreed pricing methodology, accuracy of supporting data and calculations, and the continued validity of critical assumptions.

06

Ongoing Validity, Changes and Renewal

An APA remains valid only for the covered tax periods and is subject to continued satisfaction of the agreed terms and assumptions. The APA may be revised where there are changes in Law, business operations, economic conditions or other circumstances that materially affect the assumptions underlying the agreement. Where revision is not feasible, the APA may be cancelled or revoked. Renewal of an APA may be sought where there are no material changes to the facts or critical assumptions. A renewal request is required to be submitted within the prescribed timeframe prior to the expiry of the existing APA.

APA Scope and Fees

APA Application Fee

The APA program is subject to a non-refundable filing fee payable at the time of submitting a formal APA application.
The prescribed APA application fee is AED 30,000, payable irrespective of conclusion

APA Renewal Fee

Where a taxpayer seeks renewal of an existing APA, a reduced non-refundable fee applies.
The APA renewal fee is AED 15,000, subject to satisfaction of renewal conditions.

Pre-Filing Consultation Timeline

Following submission of a pre-filing consultation filing, the FTA endeavors to conclude this s within approximately six to nine months from receipt of request, depending on complexity and information requirements.

APA Application Filing Timeline

The APA application must be filed by the earlier of:

- 60 days from the date of the FTA notification; or
- At least 12 months before the first tax period proposed to be covered

APA Annual Declaration Timeline

For each tax period covered by an APA, the taxpayer is required to submit an APA Annual Declaration. Must be filed by the later of: 90 business days from the date of signing the APA or the due date for filing the corporate tax return :

Renewal Application Timeline

The renewal request is required to be filed to the FTA at least three months before the expiry of the current APA and generally follows the same procedural steps as a new application.

Communication with the FTA

Any desired communication by the taxpayer may be submitted from the date of this corporate tax guide (i.e., 30 December 2025) by email to APA@tax.gov.ae. Correspondence on EmaraTax is not yet possible, and will be announced in due course

How an APA Works In Practice – Illustrative Example

A UAE entity performs regional management and technical support functions and is characterized as a routine service provider for transfer pricing purposes. The arms length outcome is sensitive to functional delineation, selection of the profit level indicator and treatment of pass-through costs.

Through a unilateral APA with the FTA, the parties agree in advance on the functional characterization, pricing methodology and acceptable return range for the covered transactions for specified future tax periods. Subject to continued validity of assumptions and annual declarations, the APA limits exposure to audit-driven recharacterization and pricing adjustments.



What Businesses Should Do Now

The introduction of the APA framework provides an opportunity for taxpayers to proactively manage transfer pricing risk and achieve certainty over complex or high-value controlled transactions.

- Identify eligible transactions: Review intercompany transactions to identify those that are material and complex
- Assess APA suitability early: Evaluate whether transactions meet the eligibility criteria, including the AED 100 million threshold
- Prepare robust economic support: Ensure functional, economic, and benchmarking analyses are well developed and defensible
- Plan for timelines and resources: The APA process is multi-year and resource-intensive; early planning is critical to manage
- Adopt a strategic approach: View APAs as a long-term certainty and risk management tool rather than a compliance exercise

ACQUISORY COMMENT

The UAE's APA framework marks a significant evolution in the transfer pricing landscape and signals the FTA's move toward a more cooperative, risk-based compliance environment. While APAs are voluntary, they are likely to become increasingly relevant for multinational groups with material UAE operations, particularly as audit activity matures. Taxpayers that proactively evaluate APA opportunities, invest in strong technical preparation, and engage early with the FTA will be best positioned to secure pricing certainty.

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