TRANSFER PRICING (TP)

As per **OECD Guidelines** TP is The Price at which an Enterprise **transfer Goods or Provides Services** to Associated Enterprises.

UAE Corporate Tax purpose UAE will apply internationally recognized **" Arm's Length Principle** (ALP) to transactions and arrangements between Related Parties and with Connected Persons"

Related Parties: Individuals, / Entity

- Two or more Individuals through **kinship or affiliation.**
- Alone or together directly or indirectly owns a **50% or greater shares in, or controls**.
- **Branch** or Permanent Establishment.
- **Partners** in Unincorporated partnership.
- **Exempted and nonexempt** business activities of the same person.

Connected Persons: if HE or SHE is

- ✓ Ownership, Controls, Kinship or affiliation.
- ✓ Director of Officer.
- ✓ Partners in Unincorporated partnership.
- ✓ Related Party.

Payments or Benefits Provided by Taxable Person its Connected Person will allow **Deduction if**: (i) Corresponds with market value (ii) incurred wholly or exclusively for the business purposes.

PSM Method (Resale Price Method): This Method is generally applied where there is transfer of unique intangibles or in multiple international transactions.

TNMM Method (Transactional Net Margin Method): Compute Net profit margin of the enterprise from international transaction with Related parties having regard to cost incurred / sales effected / assets employed.

OECD Guidelines – Transfer Pricing Methods (Five widely used methods for ALP)

CPU Method (Comparable Uncontrolled Price Method): This Method is applied where there are similar transaction(s) between unconnected

CPM Method (Cost Plus Method): This Method is generally applied where Semi-finished are sold to Related parties

RPM Method (Resale Price Method): This Method is generally applied where Item obtained from related party is resold to unrelated party.

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TP Documentation:

- ➤ Business required **to submit** a disclosure containing information related to related parties and connecting persons.
- ➤ Business need **to maintain** Master and Local files where Arm's length value of their related party transactions exceeds a certain threshold.