APA in the UAE

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With the introduction of Corporate Tax and formal transfer pricing rules in the UAE, multinational groups operating in the country are entering a more structured and forward-looking compliance environment. One of the most significant recent developments in this space is the launch of the UAE's Advance Pricing Agreement ("APA") programme through Federal Tax Authority Decision No. 2 of 2025 issued on 19 February 2025, supported by the recently issued APA Guide in December 2025 providing clarity on the APA programme.

Benefits of an APA

The APA programme allows businesses to voluntarily agree in advance with the Federal Tax Authority (FTA) on how the arm's length price for specific related-party transactions will be determined over a defined period. Instead of addressing transfer pricing questions during an audit, companies can obtain clarity upfront, turning a potential area of uncertainty into a predictable and managed risk.

The benefits are strategic as well as compliance-driven:

| Greater predictability in tax outcomes across future periods | Reduced exposure to transfer pricing disputes and double taxation | Increased confidence when making investment or restructuring decisions | Clearer alignment between business operations and tax expectations | A cooperative, transparent engagement model with the FTA |

The APA program helps CFOs gain certainty in tax positions and mitigates tax audit and potential litigation risks for the Group.

Types of APAs and how the programme will develop

The UAE framework recognises three forms of APAs:

✓ **Unilateral APAs:**
an agreement between the UAE entity and the FTA – Currently accepting application for unilateral APA only

✓ **Bilateral APAs:**
agreed between the UAE and one other tax jurisdiction

✓ **Multilateral APAs:**
involving more than two tax jurisdictions

Eligibility

▶ Taxpayers can apply for an APA for both existing and proposed domestic or cross-border transactions with the related parties

▶ The APA Guide clarifies that certain domestic related-party transactions may be covered in the scope of a UAPA where there is potential for tax impact due to differing tax treatments or incentives such as transaction between mainland taxpayer and Qualifying Freezone Benefit Person etc.

▶ Controlled transactions that fall within safe harbour provisions, such as low value-adding intra-group services are excluded from the scope of the UAE APA programme.

Thresholds

A Person can apply for an APA with respect to domestic or cross-border Controlled Transactions, where the total/expected arm's length value of all the Controlled Transactions proposed to be covered under the APA is at least AED 100 million per Tax Period

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While the AED 100 million threshold serves as a key reference point, it is not an automatic acceptance or rejection criterion. An APA application may still be declined even where the threshold is met or accepted in cases where the transaction value is below the threshold. The threshold functions as an indicator of materiality rather than a strict requirement. Where the value of controlled transactions is lower, applicants are expected to provide a strong and well-reasoned justification demonstrating why an APA is still necessary to support compliance and deliver tax certainty in their specific circumstances.

Duration

▶ An APA can be obtained for a minimum of three years and maximum of five tax years

▶ As per the APA Guide, the APA program is prospective in nature and does not currently cover prior period tax filings.

APA Fees

▶ An APA application must be submitted with a non-refundable fee of AED 30,000, payable at the time of filing.

▶ In the case of an APA renewal, a non-refundable fee of AED 15,000 is required to be paid.

Strategic Takeaway for Tax Groups

The UAE APA framework is procedural, evidence-driven, and negotiation-based. It rewards early preparation, robust TP documentation, and realistic pricing policies. For businesses with recurring, high-value, or complex related-party transactions, APAs can significantly reduce audit risk and earnings volatility — but only when approached strategically.

APA Lifecycle

Phase 1 Pre-filing consultation

Purpose

➤ This is an initial, non-binding engagement with the FTA to assess whether an APA is suitable.

Key Points for Management:

➤ Focuses on scope of transactions, complexity, TP methodology, and suitability for APA.

➤ Requires disclosure of prior audits, litigation, foreign APAs, and potential TP risks.

➤ The FTA may accept or reject progression based on commercial substance, predictability, and data reliability.

➤ No tax certainty is provided at this stage.

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➤ This stage helps management assess feasibility vs. effort before committing resources and financial fees.

➤ Poorly structured transactions or weak data may lead to early rejection.

Phase 2 Formal Application

Purpose

➤ Formal submission of a detailed APA application following FTA approval to proceed.

Key Points for Management:

➤ Requires extensive documentation: FAR analysis, benchmarking, forecasts, intercompany agreements, and financials.

➤ FTA may conduct site visits, interviews with management, and request further data.

➤ Filing an APA does not suspend ongoing tax audits.

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➤ This is a resource-intensive phase requiring strong internal coordination between finance, tax, and business teams.
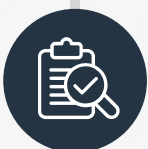
Phase 3 Evaluation & Negotiation

Purpose

➤ FTA independently evaluates the proposed TP method and negotiates final terms.

Key Points for Management:

➤ FTA prepares its own TP analysis and shares it with the taxpayer.

➤ Taxpayer must respond within 30 business days.

➤ If consensus is not reached, the APA may be closed without agreement (fees are non-refundable).

Phase 4 Agreement & Implementation

Purpose

➤ Finalisation, signing, and operationalisation of the APA.

Key Points for Management:

➤ APA is legally binding for the covered transactions and periods.

➤ Provides protection from TP challenges if complied with.

➤ Requires ongoing compliance and annual APA declarations.

➤ Withdrawal is possible before signing, but fees are not refundable.

Monitoring & Review

➤ Any Person who has entered into an APA with the FTA is required to file an APA Annual Declaration for each Tax Period covered under the APA in the prescribed form

➤ The APA Annual Declaration shall be filed within 90 Business Days from the date of the signed APA or by the due date of filing each relevant Tax Return, whichever is later.

How we support

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APA Filing Stage	Taxpayer	Andersen
Pre-filing consultation Key Management Insight: This stage is about go / no-go decision-making, not certainty.	➤ Provide business overview, transaction details, and historic TP positions. ➤ Share audit history, litigation exposure, and foreign APA positions. ➤ Participate in pre-filing meetings and explain commercial rationale. ➤ Decide whether to proceed with a formal APA application.	➤ Assess APA suitability based on transaction complexity, materiality, and risk. ➤ Identify covered vs non-covered transactions and key TP issues. Perform preliminary FAR and risk assessment. ➤ Prepare and submit the pre-filing consultation request. ➤ Lead discussions with the FTA and manage information flow. ➤ Advise on likelihood of acceptance and readiness gaps.
Formal Application Key Management Insight: This is the most resource-intensive stage requiring strong internal alignment.	➤ Provide detailed financials, forecasts, contracts, and internal data. ➤ Validate business assumptions and pricing mechanisms. ➤ Ensure availability of key personnel for interviews. ➤ Approve the APA strategy, scope, and submissions.	➤ Lead preparation of the APA application and supporting documentation. ➤ Develop detailed FAR analysis, industry analysis, and benchmarking. ➤ Draft critical assumptions and proposed TP methodology. ➤ Coordinate responses to FTA information requests. ➤ Prepare management for interviews and site visits.
Evaluation and Negotiation Key Management Insight: APAs involve active negotiation, not passive acceptance.	➤ Support negotiations with commercial justifications. ➤ Approve negotiated outcomes and acceptable pricing ranges. ➤ Decide whether to accept, renegotiate, or exit the APA process.	➤ Review and technically challenge the FTA's TP analysis. ➤ Prepare counter-positions, sensitivity analyses, and negotiation arguments. ➤ Lead written submissions and negotiation meetings. ➤ Advise on commercial vs tax trade-offs.
Agreement and implementation Key Management Insight: An APA delivers certainty only if actively governed and monitored	➤ Implement agreed pricing and monitoring controls. ➤ Ensure ongoing compliance with APA terms and assumptions. ➤ File annual APA declarations and maintain documentation. ➤ Monitor business changes impacting critical assumptions.	➤ Support finalisation and signing of the APA. ➤ Design implementation framework and compliance roadmap. ➤ Align APA terms with TP policy, financial reporting, and systems. ➤ Assist with APA annual declaration processes.

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