

# Advance Pricing Agreements (APAs) in the UAE - What Businesses Need to Know



## CONTEXT

As the UAE's corporate tax framework matures, the Federal Tax Authority (FTA) has introduced Advance Pricing Agreements (APAs) through the Corporate Tax Guide CTGAPA1.

APAs provide taxpayers with the opportunity to obtain advance agreement on the transfer pricing (TP) methodology applicable to specific related-party transactions. For multinational groups operating in the UAE, this mechanism can significantly reduce TP uncertainty and mitigate potential disputes during future tax audits.

## What is an APA?

An APA is a formal agreement between a taxpayer and the Tax Authority that determines in advance the TP methodology applicable to specific controlled transactions (i.e. transactions between related parties and connected persons) over a defined forward -looking tax period.

In the UAE, the Federal Tax Authority (FTA) is the competent authority in charge of negotiating and approving APA requests.

## Key highlights from the CTGAPA<sub>1</sub> Guide

- **Scope and Applicability:** The UAE APA Programme currently focuses on **unilateral APAs**, which are agreements concluded directly between the taxpayer and the FTA. Bilateral APAs are expected to develop alongside the UAE's expanding double tax treaty network and Mutual Agreement Procedure (MAP) framework.
- **Materiality threshold:** APAs are generally intended for complex or high-value related-party transactions (often exceeding **AED 100 million annually**).
- **Validity Period:** An APA generally covers **3–5 tax periods**, providing mid to long-term certainty for businesses.

## Application Process

The CTGAPA<sub>1</sub> guide describes **four main stages** for the APA application process:

### **Stage 1: Pre-Filing Consultation**

- Optional Consultation with FTA
- Determination of Feasibility and Scope

### **Stage 2: Formal Application**

- Submission of TP analysis, transaction details and proposed methodology

### **Stage 3: Evaluation and Conclusion**

- FTA Reviews
- Request for additional data (as applicable)
- Agreement on the agreed transfer pricing methodology

### **Stage 4: Conclusion of APA**

- Signing of APA Agreement
- Application of APA Agreement over agreed tax period

## APA Fees

### FTA introduced service fees for APA applications:

- AED 30,000 - New APA Application
- AED 15,000 - Renewal of Amendment of existing APA Application

## Compliance and Monitoring

Taxpayers entering into an APA must comply with ongoing monitoring requirements, including the submission of an annual APA compliance report confirming application of the agreed transfer pricing methodology.

Failure to meet the agreed terms or material changes in the underlying business model may result in revision or cancellation of the APA.

## Why APAs matter for Businesses

With the UAE Corporate Tax regime now fully operational, Transfer Pricing is becoming a key focus area for Tax Authorities and Multinational Groups alike.

For businesses with significant intercompany transactions, APAs can provide several strategic advantages:

- ✓ Greater certainty on Transfer Pricing outcomes
- ✓ Reduced risk of future tax disputes or adjustments
- ✓ Improved transparency and engagement with the Tax Authorities

In practice, APAs are particularly relevant for multinational groups with **complex cross-border transactions, regional headquarters structures, or recurring high-value intercompany arrangements.**

As the UAE Transfer Pricing framework continues to evolve, the APA programme represents an important step toward strengthening tax certainty and aligning the UAE with international best practices.



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