





Managing Transfer Pricing
compliance in the Middle East










March 2022

Businesses are under more pressure than ever to find efficient ways to manage their Transfer Pricing (TP) compliance and documentation. We have witnessed the comprehensive three tier Transfer Pricing (TP) documentation proposed in the Base Erosion and Profit Shifting (BEPS) action points by The Organization for Economic Co-operation and Development's (OECD) being introduced in the Kingdom of Saudi Arabia (KSA) and Qatar. Other tax authorities in the Middle East are also expected to introduce comprehensive TP legislation in the near future.

Overview of Transfer Pricing compliance requirements in Middle East

In the Middle East, we have seen more countries adopting TP compliance requirements with Jordan added to the list for FY21. The table below summarizes the existing TP requirements in the Middle East.

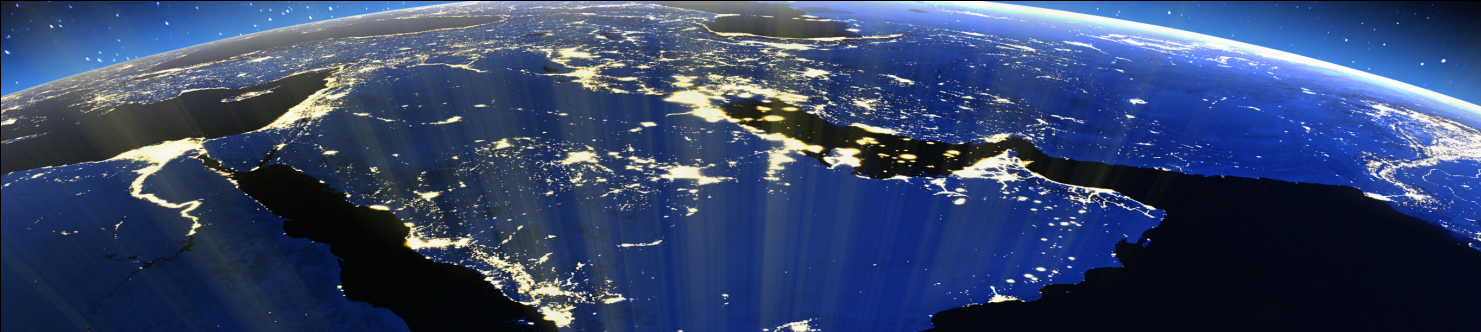
Country	Disclosure form (DF)	Affidavit	Local file (LF)	Master file (MF)	Country-by-country reporting (CbCR)	Threshold	Deadline
 KSA	✓	✓	✓	✓	✓	DF, Affidavit – no threshold MF & LF – SAR6million of related party transactions CbCR – SAR3.2billion consolidated group revenue	<ul style="list-style-type: none">• DF, Affidavit, CbCR notification – 120 days from fiscal year end• MF & LF – 30 days upon request but required to be maintained contemporaneously with tax return• CbCR filing – 12 months from fiscal year end• CbCR notification also needs to be filed on Automatic Exchange of Information (“AEOI”) portal.
 Qatar	✓	✓	✓	✓	✓	<ul style="list-style-type: none">- Disclosure Form - Resident entities and PEs in Qatar are required to submit a disclosure form where they undertake related party transactions and have a total turnover or total assets of more than QAR 10 million in the financial year- Local File and Master File - Resident entities and PEs in Qatar are required to submit a master file and local file where they undertake cross-border related party transactions and have a total turnover or total assets of more than QAR 50 million in the financial year- County By County Reporting - CbCR reporting requirement are applicable on Qatar Head Quartered MNEs whose consolidated revenue is more than Qatari Riyal (QAR) 3 billion in the preceding financial year. Currently, Cbc notification and reporting are suspended for Inbound MNEs.	<ul style="list-style-type: none">- Disclosure Form is due along with the tax return- Local File and Master File are due no later than June 30 of the fiscal year following the year of declaration.- CbCR filing – 12 months from fiscal year end- CbCR notification -on or before the end of fiscal year.
 Jordan	✓	✓	✓	✓	✓	<ul style="list-style-type: none">- Disclosure form – with JOD 500K threshold- Master File and Local File – same threshold of the DF and Affidavit applied- Country by Country Reporting – JOD 600Million consolidated group revenue	<ul style="list-style-type: none">• DF, Affidavit – 120 days from fiscal year end• MF & LF – 12 months from fiscal year end• CbCR filing – 12 months from fiscal year end
 Cyprus*	✗	✗	✗	✗	✓	CbC Reporting applies to large multinational enterprises (“MNE”) groups with annual consolidated group revenue of €750 million or more in the preceding fiscal year. Cypriot Constituent Entities of such MNE groups must file CbC Notifications in Cyprus. Certain Cypriot Constituent Entities also have an obligation to file a CbC Report in Cyprus (e.g. in case they are the Ultimate Parent Entity, are appointed as a Surrogate Parent Entity or where a local secondary filing obligation arises).	<ul style="list-style-type: none">CbCR filing – 12 months from the end of the reporting fiscal year of the Group.CbCR notification - on or before the end of the reporting fiscal year of the Group.

Country	Disclosure form (DF)	Affidavit	Local file (LF)	Master file (MF)	Country-by-country reporting (CbCR)	Threshold	Deadline
 Bahrain	X	X	X	X		<p>- County by County Reporting - CbcR reporting requirement are applicable on Bahraini Head Quartered MNEs whose consolidated revenue is more than Bahraini Dinar (BHD) 342 million.</p> <p>Constituent entities of MNE's headquartered in Bahrain are required to file a CbC Notification no later than the last day of the reporting financial year of the MNE group</p>	<ul style="list-style-type: none">• The CbCR requirements are applicable to reporting years starting on or after 1 January 2021, and the CbCR is required to be submitted within 12 months from the end of the reporting year. Accordingly, for the reporting year starting on 1 January 2021, the CbCR must be submitted latest by 31 December 2022.
 UAE	X	X	X	X		<p>- County by County Reporting - CbC Report: MNE groups with total consolidated revenues greater than AED 3.15billion will be obligated to submit their first CbC Report to the Ministry of Finance by no later than twelve months after the last day of the reporting Fiscal year of the MNE Group. (I.e., for fiscal year ending 31 December 2019, the report should be submitted by 31 December 2020).</p> <p>Currently only MNE groups headquartered in the country will be required to submit a CbC Notification.</p>	<ul style="list-style-type: none">• UAE-resident Ultimate Parent Entities (UPE) are required to submit a CbCR report and CbCR notification, latest by the last day of the financial year no later than 12 months from the financial year-end
 Egypt	X**	X				<p>- Disclosure Form - no threshold</p> <p>- Local File and Master File - Egyptian taxpayers engaged in commercial or financial related party transactions of EGP 8 million or more (computed on the basis of the total related party transactional value, encompassing revenues and expenses, and not on the basis of netting off those transactions) should prepare and submit master file and local file.</p> <p>- County by County Reporting Egyptian parented MNE groups with a foreign subsidiary/subsidiaries, and an annual consolidated group revenue equal to or exceeding EGP 3 billion are required to prepare and file a CbC report with the ETA, and corresponding notification forms. Whereas, Egyptian subsidiaries of foreign-parented MNE groups are subject to the OECD's threshold of EUR 750 million and are required to file a CbCR notification only.</p>	<ul style="list-style-type: none">• Master File:• For non-Egyptian parented companies, the masterfile submission date is determined according to the date of submitting the masterfile in the country of tax residence in which the UPE resides.• For Egyptian parented companies, the masterfile submission date is determined according to the date of submitting the local file.• Local File: should be submitted within 2 months from the date of filing the corporate income tax return.• CbC Report should be filed with the Egyptian Tax authority no later than 12 months after the last day of the fiscal year end to which the report relates. Whereas the CbCR notification form should be submitted no later than the last day of the year to which the report relates.
 Oman	X	X	X	X	X	N/A	N/A

*Even though the tax legislation contains the arm’s length principle, there are no comprehensive TP documentation requirements at present, except for certain financing and IP related activities. Draft legislation and regulations including Local and Master File documentation requirements have been submitted to Parliament, which may possibly take effect from 1 January 2022 (TBC).

** There is no separate TP disclosure form, and that this is embedded within, and submitted as part of the CIT return. Taxpayers who fail to disclose their related party transactions in the relevant section of the corporate income tax return will be subject to a penalty of 1% imposed on the total value of related party transactions which are undisclosed for the respective year.

The table outlines the breadth of requirements required in each of country within the region which is quite extensive. Meeting these compliance obligations with maximum efficiency and low cost would be of prime importance to taxpayers. Deloitte, with its widely experienced regional TP team and suit of technology based solutions is well placed to meet this challenge on a holistic basis.



The table below outlines how our experts add value to our clients through enhanced TP compliance that is of a high value and low cost.

Comprehensive TP compliance management			
Documentation	Benchmarking	Other filings (DFs & Affidavits)	CbCR
Understand and monitor global compliance requirements	Analyze internal & external benchmarking data	Support with data gathering review and validation	Develop group CbCR strategy and guidance
Support with face finding and functional interviews	Develop locally compliant benchmarking strategies	Preparation and filing of disclosure forms	Support wiht data gathering review and validation
Prepare compliant Local files and Master file	Support with annyal roll-fowards	Threshold monitoring and timely submission of LFs/MF	Prepare and submit CbC report
Prepare and maintain group TP policy manual			Support with notifications and secondary filings
			CbCR risk assessments

Deloitte’s approach to TP compliance

Most businesses in the Middle East region outsource their TP compliance obligations. They want to partner with their service provider to divide the work in different ways including benchmarking, local country files, functional analyses, master file, or coordination of documentation. To address these needs, our approach is flexible and customized. A successful process will include:

Reflect and resolve	More from less	Gain control and add value	Face the future	Partner effectively with your stakeholders	Deliver confidence
---------------------	----------------	----------------------------	-----------------	--	--------------------

Reflect and resolve

Examining existing processes and documentation is critical in assessing current needs. This also involves looking at existing resource levels in each area of your business and your current TP processes. We will work together with you to review risk levels for different jurisdictions, entities, transactions, and assign resources accordingly.

By the time we have drawn up a plan, we will have considered your expectations on deliverables across all areas. We will provide a clear view of what needs to be done and our recommendations as to how to meet those demands.

More from less

Tax authority demands for localized information continues to put pressure on local tax and TP teams. Hence, we find a modular approach to TP documentation as being the most efficient way to ensure consistency but still allow for local flexibility. For those businesses who have already prepared a full suite of historical TP documentation, we can translate our modular approach into our web-based application (TP Digital Dox, see below) that enables our clients to gain greater efficiencies across multiple countries or business divisions.

A modular approach also lets us focus resources on the high value, strategic, or significant transactions, as opposed to taking an indiscriminate approach. This balance between consistency and localization, with a focus on key areas, supports businesses being audit-defense ready in a highly efficient and cost-effective way.

Gain control and add value

Meeting regional Transfer Pricing obligations means providing Transfer Pricing visibility, transparency, and governance globally. Our process allows for real-time information to be shared within the business as we partner with you to meet deadlines, manage risk, and support compliance globally and locally.

Our TP data analytics tools together with our insights on upcoming policy changes, can mean that adjustments and revisions can occur in real time rather than retrospectively.

Face the future

Documentation should go beyond compliance. It is known that the potential of TP documentation is usually not fully realized. Hence an important part of the process is to provide a foundation within your organization to have a truly audit-ready position, develop policies and standard positions globally, manage and reassure stakeholders, identify new potential risk management opportunities, produce an insightful summary for senior management in your organization and add value in other ways. We, at Deloitte, excel in partnering with our clients in defending the positions taken in the preparation of a TP documentation in case of a TP Audit.

Partner effectively with your stakeholders

We understand that underlying the challenge of all this is the constant pressure on budget and cost. We look at how we can reduce the global cost of delivery, against the global tax risk your business may face, without compromising the quality of the deliverable.

Deliver confidence

Technology solution for TP documentation

In partnering with you on your annual compliance cycle, we want to go further than just cost reduction and efficiency gains. A digitized approach lies at the heart of our offering.

TP Digital DoX is Deloitte's global proprietary web-based application for generating Transfer Pricing reports. Its modular approach leverages existing and newly created information to enable flexible collaboration between internal and external users.

This web-based solution provides central project management via an integrated dashboard. It facilitates and streamlines the efficient preparation of TP documentation reports, while enabling collaboration.

The application enables a streamlined and collaborative process involving both central and local teams. It facilitates the drafting of transfer pricing documentation through questionnaires and report templates.

It is entirely flexible and scalable depending on your needs, and the automation reduces human error and removes much of the duplication that can otherwise occur in preparing the documentation around the world.

Regional support

Located across the Middle East, our team of experienced Transfer Pricing professionals have in-depth and broad knowledge of local and regional issues that can help interpret the intent of tax authorities in the countries where you currently operate or are planning to operate. As part of an integrated and extensive global network, our teams work seamlessly together from offices around the world, responding quickly to your global and local needs.

Contact us

The 2022 Middle East TP Compliance Cycle is forthcoming, we are ready to help you meet the challenge. For further information, please get in touch with our experts listed below.



Mohamed Serokh
ME Transfer Pricing
Leader
mserokh@deloitte.com



Danial Khalid
KSA Transfer Pricing
Leader
dkhalid@deloitte.com



Giuseppe Campolo
Partner
International Tax
Egypt
gcampolo@deloitte.com



Joy Mukherjee
Transfer Pricing
Riyadh, KSA
jmukherjee2@deloitte.com



Rabia Gandapur
Transfer Pricing
UAE and Oman
rgandapur@deloitte.com



Hesham Lotfy
Transfer Pricing
UAE and Jordan
hlotfy@deloitte.com



Harris Kleanthous
Transfer Pricing
Cyprus
hkleanthous@deloitte.com



Alexis Avakian
Transfer Pricing
Cyprus
aavakian@deloitte.com



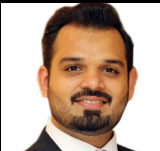
Yasmine Hammad
Transfer Pricing
Egypt
yhammad@deloitte.com



Nouran Ibrahim
Transfer Pricing
Egypt
nibrahim@deloitte.com



Yunus Afsar
Transfer Pricing
Jeddah, KSA
yuafsar@deloitte.com



Gohar Ali Naqvi
Transfer Pricing
Al Khobar, KSA
gnaqvi@deloitte.com



Parag Garg
Transfer Pricing
Qatar
pargarg@deloitte.com



Nidhin Vijayan
Transfer Pricing
Bahrain
nivijayan@deloitte.com

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte & Touche (M.E.) LLP ("DME") is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL").

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 300,000 people make an impact that matters at www.deloitte.com.

DME would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. DME accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides audit and assurance, consulting, financial advisory, risk advisory and tax, services through 27 offices in 15 countries with more than 5,000 partners, directors and staff.

© 2022 Deloitte & Touche (M.E.). All rights reserved.