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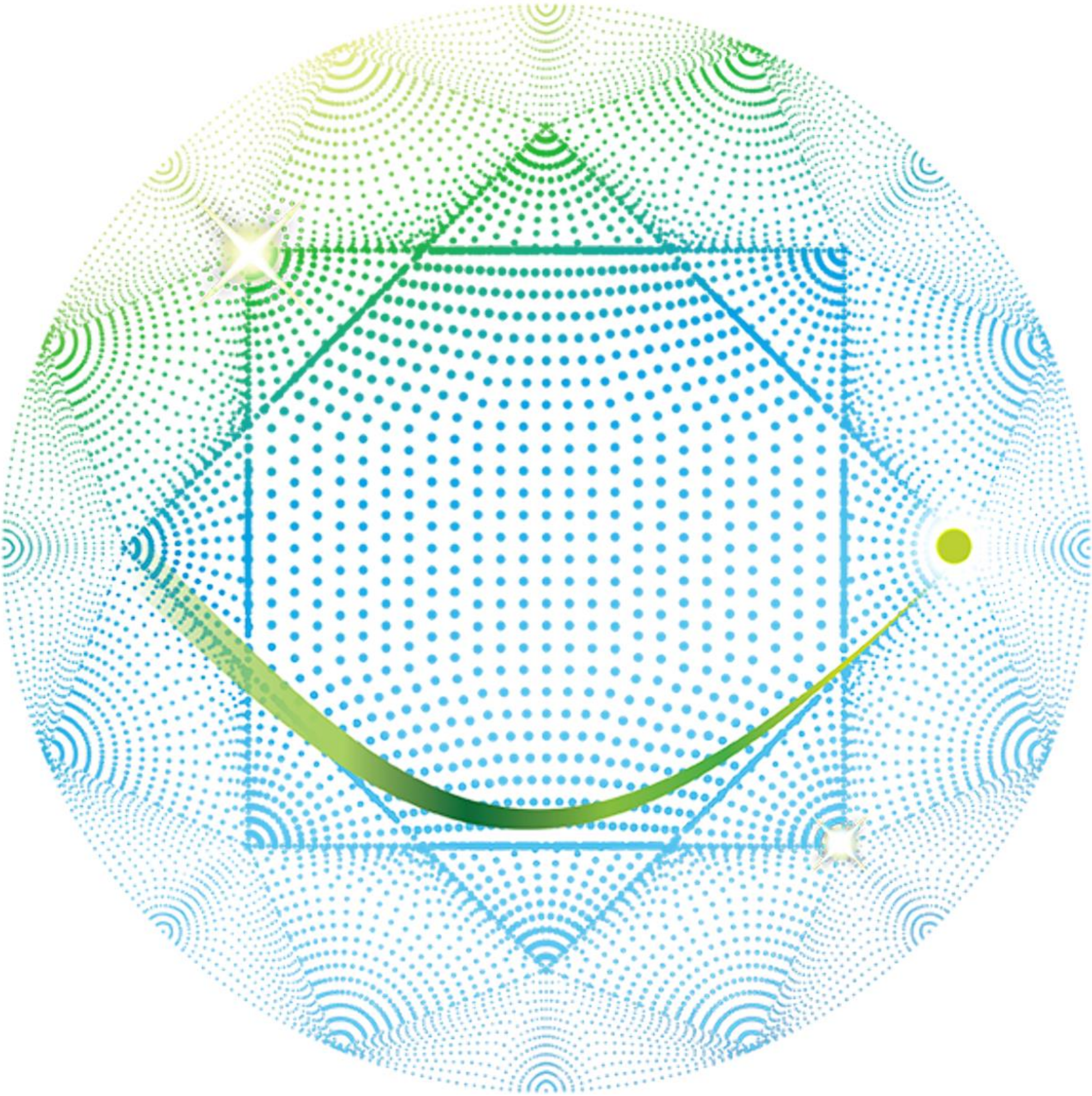

UAE Tax News

Mutual Agreement Procedure Guidance Published

July 2025

On 25 June 2026, the United Arab Emirates (**UAE**) Ministry of Finance published guidance on the Mutual Agreement Procedure (‘**MAP’**), a process by which the UAE and other contracting states in Double Tax Agreements (‘**DTA’**) seek to resolve international tax disputes – including transfer pricing adjustments - which result or will result in taxation that is not in accordance with the DTA.

From a practical perspective, MAPs are primarily deployed where a tax assessment in the UAE or a DTA jurisdiction adjusts intercompany pricing and gives rise to a higher profit and tax liability. This then indicates the need for a corresponding adjustment in the counterpart jurisdiction, potentially reducing the profits and tax liability for the assessed period. The MAP is a mechanism whereby the taxpayer and the Competent Authorities of the UAE and the counterpart DTA jurisdiction undergo a process which aims to result in a position where double taxation can be avoided.

A MAP may also be sought where there is an issue of interpretation or application of the relevant DTA and where double taxation arises for cases not provided for in the relevant DTA.

The legal basis for a MAP request is derived from the DTAs that the UAE has with other contracting states. The relevant MAP clause in a DTA is typically based on Article 25 of the OECD Model Tax Convention (‘**MTC’**) on Income and Capital. The adoption of Article 25 of the MTC is reflected in the UAE’s DTAs either through the bilateral negotiation of a new or existing DTA, or the update of a DTA.

Below are some key takeaways from the guidance:

Competent Authority (‘CA’)

The CA is defined under each DTA. The UAE Competent Authority (‘**UAE CA’**) is independent and separate from the Federal Tax Authority (**'FTA'**) although the FTA and certain personnel will also be responsible for implementing any MAP agreement reached or assisting the UAE CA to obtain any relevant documents in respect of a MAP claim.

The MAP process

Step 1: Eligibility

- In order to be eligible for MAP, the taxpayer must consider that the actions of one or both of the Contracting States result or will result in taxation not in accordance with the provisions of the relevant DTA. Some examples of scenarios where this may occur include:
    - Transfer Pricing (‘TP’) Adjustments: For instance, where a tax audit leads to a TP adjustment on cross-border transactions by the UAE’s FTA, resulting in double taxation. Common TP cases include reallocation of profits, adjustments to intercompany services, royalty payments, or financing arrangements.
    - Dual Residency Issues: Where a taxpayer is considered a tax resident in more than one jurisdiction under different domestic tax legislation, resulting in potential double taxation.
    - Permanent Establishment (‘**PE’**) Adjustments: Where profits attributed to a PE in another jurisdiction are adjusted, impacting a foreign or domestic taxpayer.
    - MAP submissions may also be made if the taxpayer believes that the anti-abuse provision in the applicable DTA applies, or the application of the UAE’s general anti-abuse rule under the UAE Corporate Tax law, conflicts with the provision of the applicable DTA.

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- Multilateral Tax Disputes: In the context of global TP models, such as profit split or formulary allocation used across several jurisdictions, MAP can help eliminate double taxation arising from inconsistent adjustments. The UAE CA may collaborate with multiple tax authorities if the relevant DTAs and competent authority protocols permit.

- Bona-fide self-initiated adjustments: The UAE Corporate Tax law allows taxpayers to make self-initiated TP adjustments in their tax returns. As per the Commentary to the OECD Model Tax Convention ('**MTC'**), the UAE CA permits such adjustments under MAP when they lead to double taxation. Conditions include that these adjustments must be undertaken in good faith, backed by detailed transfer pricing documentation and economic analysis in line with the UAE TP Regulations and OECD guidelines.
- Surrendering access to MAP: In certain states, tax audits may require taxpayers to relinquish access to MAP as part of audit settlements. The UAE CA does not consider such requirements valid grounds for denying MAP access.
- Time limits for MAP submission: UAE DTAs, in line with the MTC, stipulate that a MAP request should be **presented within three years from the first notification of actions leading to inappropriate taxation**.
  The UAE CA may interpret timing flexibly, especially when time limits are approached or recently breached, to ensure fair tax practice. Taxpayers must be proactive and may lodge MAP requests even when an adjustment is probable, not necessarily waiting for formal notification of a tax decision.
- Domestic remedies: Whilst the UAE CA follows the approach under the MTC, i.e., a taxpayer cannot simultaneously pursue MAP and domestic UAE legal remedies, a MAP claim may be presented to the UAE CA and accepted while domestic remedies are still available to avoid the case being time-barred under the applicable DTA. In such cases, the UAE CA will first require the taxpayer to agree to the suspension of domestic legal remedies, and if the taxpayer does not agree, the MAP claim will be delayed until the domestic legal remedies are concluded. Similarly, where a taxpayer pursues a MAP claim first and rejects the outcome of the MAP claim once it is concluded, the taxpayer is free to pursue domestic legal remedies. If the taxpayer accepts the outcome of the MAP agreement, then the taxpayer will be required to provide written confirmation of the withdrawal of any domestic legal remedies filed and renounce access to domestic legal remedies relating to the same issue(s) and period covered by the MAP agreement. This dual approach allows taxpayers to seek international resolution while safeguarding their rights under domestic law. Importantly, taxpayers should assess the strategic value of pursuing MAP over litigation in tax disputes, especially when seeking bilateral relief.

Step 2: Filing a MAP claim

- Taxpayers will need to provide the requisite information (illustrative list of information is provided in the guidance) on their claim as part of the MAP submission to the UAE CA at uaemap@mof.gov.ae.
- The documentation should be in English or Arabic, with potential for bilingual translations upon request.
- Multi-year requests are allowed for recurring issues with consistent facts to enhance efficiency of the process.
- Submissions to both involved CA are encouraged where the DTA allows, especially in TP cases, to expedite the process.
- The UAE CA aims to request additional information, if necessary, within two months of submission. Taxpayers should provide this information promptly, ideally within one month, as the MAP process may be discontinued if additional information is not supplied within three months.

Step 3: Assessment of MAP claim

- Once received, the MAP claim will be assessed to verify it is complete and submitted within the time limit of the relevant DTA and whether the objection raised by the taxpayer is justified.
- The UAE CA will respond to the taxpayer within two months on its decision as to whether or not to accept the MAP claim. If a MAP claim is rejected, the UAE CA will contact the corresponding CA first and the taxpayer separately to explain the basis for rejection.

Step 4: Objection Justified

a) Unilateral Relief: The UAE CA evaluates if unilateral relief can be provided for justified objections. Regardless of unilateral options, the UAE CA notifies the other CA about the MAP claim.

b) Bilateral Negotiation: If unilateral relief is not feasible, the case enters bilateral negotiations. The UAE CA prepares a position paper for discussion. Although not directly involved in negotiations, the taxpayer assists with fact-finding and may be invited to present to the Authorities. The UAE CA provides updates to the taxpayer after significant milestones and expects timely responses to communications.

Step 5: Outcome

- If an agreement is reached, the UAE CA informs the taxpayer via email **within two months**. The **taxpayer has one month to accept or reject** the outcome.
- Taxpayer Acceptance: Acceptance of the MAP agreement includes withdrawal of any domestic remedies. The UAE CA will share the written acceptance from the taxpayer with the FTA to implement the agreement reached under MAP and the taxpayer should, in parallel, submit a voluntary disclosure to the FTA.
- Agreements typically do not set precedents for future cases due to unique circumstances in each MAP claim.
- Taxpayer Rejection: In the event a taxpayer rejects the outcome, the claim is closed, allowing the taxpayer to pursue other domestic remedies.
- No Agreement: If no agreement is reached, despite efforts, the UAE CA may close the case, notifying the taxpayer along with the reasons.
  The UAE CA aims to resolve MAP claims within 24 months from the date the MAP claim is accepted by it, contingent on prompt information provision by the taxpayer. The taxpayer can withdraw their claim at any time, especially if a domestic remedy is found.
- Some DTAs allow unresolved MAP issues to enter arbitration if specified conditions, such as unresolved bilateral negotiations, are met.
- Penalties: Adjustments to penalties associated with corporate tax liabilities under MAP depend on the MAP outcome. If a MAP agreement is not reached or where the taxpayer does not accept the outcome of the MAP process, any associated penalties levied on the taxpayer in relation to the tax liability will continue to accrue. Penalties related to breaches of domestic law are not adjusted by the UAE CA but may be subject to reductions or waivers under UAE tax laws.
- Note that while the MAP process is ongoing, tax payable under an assessment issued by the FTA will not be suspended. If the taxpayer accepts a MAP agreement that waives or reduces the tax liability, any tax already paid by the taxpayer to the FTA will be refunded/credited pursuant to an application made to the FTA in accordance with the FTA's procedures. If no MAP agreement is reached, the tax liability will continue to accrue along with any penalties, unless the taxpayer obtains relief through other domestic remedies.

Next steps

The UAE MAP Guidance provides additional clarity on the process available to taxpayers for international tax disputes arising from DTAs. Taxpayers should:

1. Assess whether they are subject to double taxation and refer to the relevant DTA with particular regard to the time limits within which to file a MAP claim;
2. Consider the interaction of domestic remedies that may be available with the MAP process;
3. Conduct a thorough fact-finding exercise and retain any relevant records to strengthen their MAP claim as well as the ability of the UAE CA to assist in seeking a resolution: and
4. Respond to the UAE CA within one month and remain transparent in all communications.
5. Establish internal protocols to track MAP eligibility timelines (i.e. 3-year rule);
6. Proactively review intercompany arrangements likely to be challenged and ensure TP documentation is up-to-date and defensible for prior and current tax years.
7. Consider parallel filing to both Competent Authorities in TP disputes to expedite resolution.
8. UAE taxpayers should include MAP considerations as part of their broader tax risk governance framework, particularly in high-risk areas such as intercompany financing, intellectual property, and centralized services.
9. Taxpayers should assess the bilateral MAP provisions in each DTA for procedural nuances, especially where arbitration is permitted as a secondary relief.

Key takeaways - Whilst the MAP process provides businesses with a streamlined avenue to address international taxation issues as they arise, it will be crucial to bear in mind the time limits and procedural aspects associated with the process.

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Contacts

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