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Mastering transfer pricing financial transactions requirements in the UAE

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Transfer pricing financial transactions in the spotlight

In today's global business environment, managing intercompany financial transactions is critical for multinational corporations. These transactions, involving the transfer of funds, goods, services, or intellectual property among entities within a corporate group, necessitate meticulous management to ensure compliance with regulatory guidelines and optimize resource allocation.

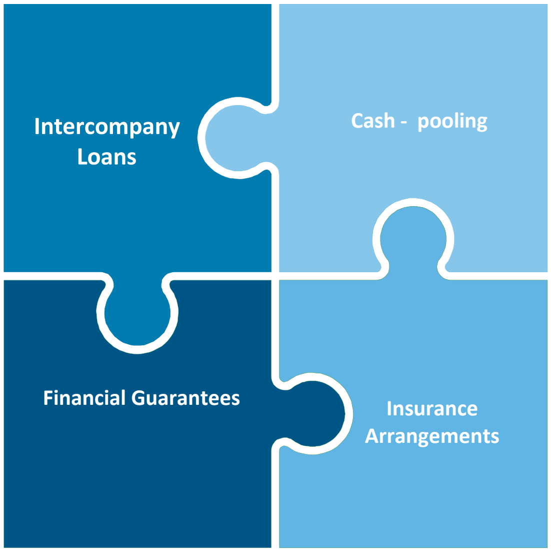
Herein we provide you with key considerations required to smoothly navigate the complex landscape and requirement of intercompany financial transactions, particularly in the context of the United Arab Emirates (UAE) transfer pricing (TP) regulations, which are largely aligned with international TP best practices.

Introduction to intercompany financial transactions

Intercompany financial transactions represent the financial activities that take place between entities that are part of the same corporate group. These transactions involve the transfer of funds, goods, services, or intellectual property among related parties. While intercompany transactions can streamline operations and optimize resource allocation within the group, they also introduce a host of complexities that must be carefully navigated.

From compliance with TP regulations and documentation requirements to the determination of fair market value and the impact on financial reporting, understanding and managing the intricacies of intercompany financial transactions are crucial to ensure a robust TP framework. Furthermore, it is essential that the broader impact of intercompany financial transactions is taken into account, as included in the summary illustration below.

Common type of intercompany financial transactions



Applicability to UAE TP legislation

The UAE has implemented comprehensive TP regulations to ensure that transactions between related parties are conducted at arm's length. Compliance with these regulations is crucial for maintaining the integrity of your business operations and managing potential penalties. In the UAE, the arm's length principle has been incorporated in the Corporate Tax Law and further explained by the Federal Tax Authority (FTA) in the TP Guide, published in October 2023. This guide aligns mostly with the OECD TP Guidelines 2022 but includes some country-specific elements. Particular consideration should be given to the principles set forth in Chapter X of the OECD Guidelines from a financial transactions perspective.

Key considerations

Purpose and objectives of the Summit	
Arm's length Principle	Quantum of Debt
Group Membership	Market Alternatives Available
Credit Rating Assessment	Underlying terms and conditions

TP Support Documentation	
Intercompany Agreements	Local Files
Disclosure Forms	Financial Statements

Broader Considerations	
Capital Structure	Connected Persons
Regulatory Requirements	Intercompany Balances
VAT & Customs	Interest Limitation Rules
Withholding Tax	Commercial purpose

How Deloitte can help to depict the complex concept of intercompany financial transactions

Whether you are new to TP or seeking to enhance your understanding of intercompany financial transactions, this guide serves as a valuable resource to provide an initial overview of intercompany financial transactions.

Our dedicated team possesses strong knowledge and understanding of the UAE TP Guidance as well as international best practices applicable to intercompany financing transactions.

In today's global business environment, appropriate TP framework for financial transactions is crucial to ensure compliance, mitigate risks, and efficiently manage value for all stakeholders involved in these type of intercompany transactions.

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