FTA PUBLIC CLARIFICATION CTP011 ◆ ARTICLE 34(1), FEDERAL DECREE-LAW NO. 47 OF 2022

Downward Transfer Pricing Adjustments in the Corporate Tax Return

Transfer pricing adjustments are **self-assessed** — no prior FTA approval is required — but **every downward adjustment must be disclosed**, whatever its value, and be defensible on audit.

KEY POINTS

- **Arm's length is mandatory** for all transactions and arrangements between Related Parties — Article 34(1) of the Corporate Tax Law.
- **Correct it in the Return.** Where the Financial Statements do not reflect arm's length values, the adjustment — upward or downward — is made in the Tax Return.
- **No FTA pre-approval.** Corporate Tax operates on self-assessment; every adjustment nonetheless remains open to Tax Audit.
- **Scope.** CTP011 covers Article 34(1) only — corresponding adjustments under Articles 34(10) and 34(11) follow separate procedures.

DISCLOSURE IN THE TAX RETURN

ADJUSTMENT	WHEN DISCLOSURE IS REQUIRED
Upward	Only where Related Party transactions exceed the applicable thresholds.
Downward	**Always** — irrespective of the value or nature of the transaction or arrangement.

DOCUMENTATION FOR DOWNWARD ADJUSTMENTS

- **Rationale** — why the recorded pricing was not arm's length and how the revised outcome meets the standard.
- **Arm's length analysis**, including a benchmarking study.
- **Reconciliation** between Financial Statement values and the values disclosed in the Return.
- **Symmetrical corresponding adjustments** by the relevant Related Parties.

WHY BENCHMARKING MATTERS — FOR EVERY RELATED PARTY TRANSACTION

- **Arm's length applies to all Related Party dealings** — not only where an adjustment is booked.
- **A contemporaneous benchmarking study is the primary audit evidence.** Without one, a downward adjustment is difficult to defend.
- **One consistent story.** The Disclosure Form, Local File, Financial Statements and Tax Return must reconcile — mismatches are audit triggers.

HOW WE CAN HELP

TP Health Check & Benchmarking
Arm's length review of Related Party pricing, with contemporaneous benchmarking studies.

TP Documentation
Local File, Master File and Disclosure Form preparation, aligned to the Tax Return.

Return Adjustment Support
Quantification of upward and downward adjustments, with FS-to-Return reconciliations.

Audit Readiness
Pre-filing reviews and end-to-end support through FTA Tax Audits.

In case of any assistance, pls do get in touch with Mr. Mohan Krishna on mohan.krishna@gbsei.com

Office No 12A-06, 13th Floor, HDS Tower, Plot No F2,
Jumeirah Lakes Towers,
Post Box 309074, Dubai (U.A.E)
Tel: +971-4-4471804

Office No 201/202, Al Hisn Tower
(Sharjah Cement Factory Bldg), Bank Street, Rolla,
Post Box 4706, Sharjah (U.A.E).
Tel: +971-6-5683997

info@gbsei.com | info@kaa.ae
www.gbsei.com | www.kothariauditors.com