



BAM Tax Advisors LLC
Bazaar Accounting and
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Ensuring UAE Transfer Pricing Compliance: Aligning Executive Compensation with Market Value

Introduction

Did you know that the UAE Transfer Pricing (TP) rules require all managerial compensation paid to Connected Persons to reflect market value accurately? Failing to do so can lead to non-compliance with Transfer Pricing.

The Importance of Article 36

Article 36 of the UAE Corporate Tax Law states that any payments/benefits provided to Connected Persons (i.e., Owners, Directors, officers or any other C-suite or equivalent executive positions) **shall only be deductible** if and to the extent the payment/benefit corresponds with the **market value** of the service/benefit provided and it is **incurred wholly and exclusively** for business.

BAM's Approach: A Comprehensive Solution

At BAM Tax Advisors, we offer a structured, comprehensive, and fully compliant approach to ensure that executive compensation for Connected Persons aligns with the arm's length principle under UAE Transfer Pricing regulations.

1. Our Process

Our process includes the following key steps:

- | **Functional Interviews:** We conduct interviews with Connected Persons to gain a thorough understanding of their daily responsibilities, decision-making authority, and overall contribution to the business.
- | **Functional Characterization:** We then analyze the roles and responsibilities of Connected Persons from a transfer pricing perspective.
- | **Transfer Pricing Method Selection:** We evaluate and select the most appropriate transfer pricing methods to determine the acceptable arm's length range for executive compensation for Connected Persons.
- | **Collaboration with Leading HR Consultancy Firm:** We work closely with leading HR consultancy firms in the UAE to conduct formal benchmarking analysis tailored to specific executive roles.

2. What We Assess

Together with our HR partners, we assess:

- | Executive roles with similar responsibilities across the UAE and the broader GCC market.
- | Comparable target companies, based on factors such as key responsibilities, experience, company size, ownership, revenue, number of employees, and business functions.
- | All components of the compensation package, including:
 - Basic Salary
 - Housing and Transportation
 - Annual Bonus/Commission/Long-term incentives
 - Annual medical insurance
 - Annual air tickets
 - Annual education allowance
- | The arm's length remuneration range, including minimum, median, maximum, and average values.

3. Robust Documentation: Ensuring Compliance

- | We prepare a comprehensive **Transfer Pricing Memorandum** to document our findings, analysis, and recommendations, along with the benchmarking analysis provided by the external HR firm. This documentation serves as evidence of your compliance efforts.

Why We Work with HR Firm:

We recognize that executive compensation often involves unique elements that traditional transfer pricing methods cannot fully capture as it includes subjective factors and industry-specific considerations.

By relying on an external HR consultant's benchmarking, we can provide a more robust and accurate assessment of arm's length managerial remuneration. Their expertise, market insights, and up to date remuneration information enable us to conduct thorough benchmarking exercises and ensure a more accurate, objective, and defensible assessment of arm's length managerial remuneration.

The BAM Advantage: How We Can Help Your Company

- | Determining the arm's length managerial remuneration (market rate) for Connected Persons in similar positions, ensuring full compliance with UAE TP regulations.
- | Advising on structuring remuneration policies that align with UAE TP regulations.
- | Guiding adjustments to compensation levels over time to align with the arm's length remuneration range.
- | Preparing or reviewing connected person agreement to support your transfer pricing policy.
- | Providing annual updates and re-benchmarking based on market data, business changes, and regulatory updates.

Is Your Compensation Aligned with Market Value?

If you're paying any Connected Persons whether it's an Owner, Director, Officer or any C-suite or equivalent key managerial executive — **Now is the time to assess: Is the compensation aligned with market value.**



At BAM Tax Advisors, we're here to help you get it right and stay compliant.
For Further details, please reach out to the BAM Tax Advisors Team



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