Transfer Pricing Documentation: Best Practices for 2026

Practical guide to preparing transfer pricing documentation that meets OECD standards. Templates, benchmarking approaches, and best practices for 2026.

Transfer pricing documentation is no longer optional for multinational groups operating in the GCC. With the UAE's corporate tax regime now in effect and OECD Pillar Two on the horizon, robust TP documentation is your best defense against assessments and double taxation.

THE THREE-TIERED APPROACH

The OECD recommends a standardized three-tiered documentation approach adopted by most jurisdictions:

Group-wide overview of business, intangibles, financial activities, and TP policies

Entity-specific analysis of material intercompany transactions with benchmarking

Country-by-Country Report for groups with EUR 750M+ consolidated revenue

BEST PRACTICES FOR LOCAL FILE PREPARATION

1. Start with functional analysis Map each entity's functions, assets, and risks before selecting a TP method. This is the foundation — get it wrong and everything else crumbles.
2. Select the most appropriate method TNMM is the most commonly used method, but CUP is preferred when reliable comparables exist. Profit splits suit highly integrated value chains.
3. Use contemporaneous data Benchmarking studies should use data available at the time the prices were set, not hindsight data. Update searches at least every 3 years.
4. Document the economic rationale Explain WHY the pricing makes commercial sense, not just that it falls within an interquartile range. Tax authorities appreciate business logic.
5. Address all material transactions Don't cherry-pick profitable transactions. Include management fees, IP royalties, financing, and service charges — all must be arm's length.

COMMON TRANSACTION TYPES

TRANSACTION	PREFERRED METHOD	KEY CONSIDERATION
Goods sales	CUP / TNMM	Comparable public pricing, if available
Management fees	CUP / Cost plus	Must demonstrate benefit to recipient
IP royalties	CUP / Profit split	DEMPE analysis required
Financing	CUP	Market interest rate benchmarking
Shared services	Cost plus	Cost base and markup justification

GCC-SPECIFIC CONSIDERATIONS

- The UAE's TP rules (from June 2023) require Local File and Master File for qualifying businesses, with strict contemporaneous documentation
- Saudi Arabia's GAZT requires TP documentation for transactions exceeding SAR 6 million with related parties
- Bahrain currently has no formal TP documentation requirements, but should be prepared for potential future legislation
- Country-by-Country Reporting thresholds apply at EUR 750 million consolidated group revenue

About the Author

The Yasmi Co Tax Team has extensive experience in international tax and transfer pricing.

Executive Notice: Official publication prepared by Yasmi Co Advisory & Consultation for general commercial guidance. Consult our licensed tax team for entity-specific advice.

Yasmi Co Advisory Practice

Tax, VAT, Transfer Pricing, ESR & Corporate Advisory Services

Tel: +973 3356 9008 | Email: info@yasmico.com | Web: www.yasmico.com