

UAE Federal Tax Authority updated Policy on Issuing Clarifications and Directives

FTA Decision No. 2 of 2026 (Effective 1 March 2026)

The UAE Federal Tax Authority (FTA) has issued Decision No. 2 of 2026, effective 1 March 2026, which introduces a revised version of the policy on issuing clarifications and directives (originally established by FTA Decision No. 5 of 2021). The most significant additions are a detailed unilateral Advance Pricing Agreement (APA) framework and a new category of binding directives on tax transactions.

The Decision also formalises the distinction between general and private administrative exceptions and simplifies the consultation process with the Ministry of Finance on unclear tax matters.



Advance Pricing Agreements: Comprehensive New Framework

The amended policy introduces a comprehensive Advance Pricing Agreement (APA) framework under the UAE Corporate Tax regime, reflecting the UAE's alignment with OECD transfer pricing standards. The framework distinguishes between Unilateral APAs (UAPAs), which are agreements between a Person and the FTA, and Bilateral/Multilateral APAs (BAPAs/MAPAs), which are agreements between competent authorities of two or more jurisdictions. At this stage, the FTA accepts UAPA applications for domestic transactions between Related Parties only, and only where the relevant domestic transactions or arrangements are undertaken between parties subject to different Corporate Tax rates or where one of the parties is eligible for tax incentives under the Corporate Tax Law. A starting date for accepting applications for cross-border transactions will be announced during Q4 2026.

APA Framework: Key Parameters

Current Scope	Domestic related-party transactions only
Cross-Border APAs	Starting date to be announced in Q4 2026
Minimum Threshold	AED 100 million per Tax Period (at Tax Group level for groups); FTA may accept below threshold at its discretion
Coverage Period	Minimum 3 Tax Periods, maximum 5 Tax Periods
Earliest Start	Tax periods beginning on or after 1 January 2028
Eligible Transactions	Between related parties subject to different CT rates or where one party has tax incentives
Pre-Filing Consultation	Mandatory, FTA to conclude within 9 months
Application Filing	Within 2 months of pre-filing completion, or 12 months before first covered Tax Period (whichever earlier)
APA Conclusion	Within 30 months from completed application
Annual Declaration	Within 90 business days of signing the APA or Tax Return due date (whichever later)
Renewal	At least 3 months before expiry, pre-filing may be waived
Revocation	Retroactive from first covered Tax Period for material misrepresentation, non-compliance, or breach of critical assumptions
Fees	Per Cabinet Decision No. 65, Clauses 18–19

The policy sets out clear rules for the ongoing management of an APA:

- **Notification obligation:** The applicant must notify the FTA within 20 business days of any legislative amendments, material changes in business or economic conditions, or other exceptional circumstances affecting the APA.

- **Revision or cancellation:** The FTA may evaluate whether revision is required. If revision is not feasible or mutual agreement cannot be reached, the FTA may cancel the APA from the Tax Period in which the triggering event occurred.
- **Revocation:** The FTA may revoke an APA retroactively from the first covered Tax Period where the applicant made material misrepresentations, failed to comply with material terms, or breached critical assumptions. Upon revocation, all covered transactions revert to the standard provisions of the Corporate Tax Law and the Tax Procedures Law.
- **Renewal:** A renewal request must be submitted at least 3 months before the expiry of the existing APA. The FTA may waive the pre-filing consultation requirement for renewals.

The FTA may also share with the Ministry of Finance any information or documents submitted by the applicant in connection with the APA process.

Directives on Tax Transactions: A New Binding Instrument

The amended policy introduces a new category of FTA output: directives on tax transactions. These are public decisions issued by the FTA to establish the rules for the application or implementation of tax legislation in relation to specific tax transactions. Critically, directives on tax transactions are binding on both the FTA and the taxpayers falling within the relevant category of taxpayers and transactions, distinguishing them from public

clarifications, which serve an explanatory purpose and are not binding on the FTA. The legal basis for this instrument is Article 54(bis) of the Tax Procedures Law, which authorises the FTA to issue binding decisions on the implementation of tax legislation in relation to tax transactions.

The table below highlights the key differences between the two instruments:

	Public Clarification	Directive on Tax Transaction
Purpose	Clarify uncertain matters in tax legislation	Establish rules for application of tax legislation to specific transactions
Binding on FTA?	No	Yes
Binding on taxpayers?	No	Yes, for relevant taxpayer category
Approval	FTA (after MoF review)	Board of Directors or designated committee (after MoF coordination)

Directives on tax transactions are issued upon the approval of the Board of Directors (or a designated committee), following coordination with the Ministry of Finance. They remain effective until replaced by a new directive on the same matter or until the relevant legislation is repealed. The FTA retains the right to withdraw a directive if it considers it is no longer correct, with taxpayers permitted to act in accordance with the directive until formal notification of withdrawal.

Administrative Exceptions: General and Private

The amended policy formalises a distinction between two types of administrative exception decisions:

- **General administrative exception decisions:** Issued by the FTA for all taxpayers on its own initiative, without a request being submitted, in cases where the FTA deems it necessary. This provides an explicit basis for the FTA to grant proactive, across-the-board procedural accommodations.
- **Private administrative exception decisions:** Issued for a specific taxpayer based on their individual request, subject to the established conditions and procedures.

The substantive rules governing administrative exceptions remain unchanged: decisions are valid for 3 years from issuance (unless the underlying legislation is repealed or amended), do not constitute a ruling on the correct tax treatment, and are subject to the standard 40-business-day response deadline for applicant follow-up.

Simplified Consultation with the Ministry of Finance

The policy simplifies the mechanism for consulting the Ministry of Finance on private clarification requests involving matters that are unclear in the tax legislation. The formal joint committee structure has been replaced with a more flexible approach: the FTA may present the relevant topics to the Ministry of Finance for discussion, without the requirement of a formal joint committee. Official correspondence with the Ministry remains available as an alternative channel.

This adjustment provides both the FTA and the Ministry with greater flexibility in how they coordinate on tax policy matters, while preserving the principle that the Ministry of Finance is consulted on matters beyond the FTA's interpretive authority.

Practical Recommendations

For Groups with Significant Related-Party Transactions

1. Assess APA eligibility now.

The policy now provides a formal framework for domestic UAPA applications. With a mandatory pre-filing consultation (up to 9 months) and an APA conclusion timeline of up to 30 months, groups targeting coverage from 1 January 2028 should begin the process promptly.

2. Prepare transfer pricing documentation.

The APA application requires robust functional analysis, benchmarking, and a proposed methodology. The FTA will conduct its own transfer pricing analysis, so the quality of the applicant's documentation will directly affect the process and outcome.

3. Understand the revocation risk.

Revocation is retroactive to the first covered Tax Period. Ensure all representations in the application are accurate and that ongoing compliance with APA terms is maintained throughout the agreement period.

4. Monitor Q4 2026 for cross-border APAs.

Groups with cross-border related-party arrangements should track the FTA's announcement on the starting date for cross-border APA applications.

For All Taxpayers

1. Watch for binding directives on tax transactions.

Unlike public clarifications, directives on tax transactions are binding on taxpayers within the relevant category addressed by the directive. Monitor the FTA website for any directives issued under this new framework and assess their impact on your operations.

2. Understand the FTA's output hierarchy.

The amended policy now covers several distinct forms of output, including private clarifications (binding on the FTA for the requesting taxpayer), public clarifications, administrative exception decisions, input tax apportionment decisions, APAs, and directives on tax transactions (binding on both the FTA and relevant taxpayers). Each carries a different legal weight, and compliance teams should be clear on the distinction.



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Best regards,

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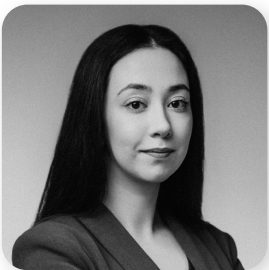
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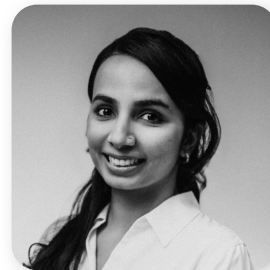
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