# United Arab Emirates: Amendments to the UAE VAT Executive Regulation - Cabinet Decision No. 149 of 2026

September 2026

# In brief

On 1 September 2026, the UAE Cabinet issued **Cabinet Decision No. 149 of 2026**, amending certain provisions of Cabinet Decision No. 52 of 2017 on the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax (the **UAE VAT Executive Regulation**).

Most of the amendments will take effect from **1 October 2026** with the exception of the revised input tax apportionment provisions, which will apply from the **first Tax Year commencing after 1 October 2027**.

The amendments introduce a number of technical and operational changes across the VAT framework, with the aim of:

- Aligning VAT treatment with economic substance and international practice
- Improving legal clarity and ease compliance for businesses
- Protecting the tax base and limit revenue leakage

# In detail

## Key amendments under Cabinet Decision No. 149 of 2026

| Reference | What changed | Suggested practical focus |
|---|---|---|
| **Article 4(6)** | Bundled supplies whose components are interconnected and cannot be separated must be treated as one composite supply, taxed at the rate of the principal component. | Review bundled offerings, especially where components are priced separately or taxed differently. |
| **Article 29(5)** | Under the Profit Margin Scheme, purchase-related costs and fees can be added to the purchase price only if their input tax would be non-recoverable under Article 54. | Check and identify which acquisition costs can be included in the purchase price. |
| **Article 41(4)** | Pharmaceutical products and medical equipment are replaced by a single term, **"medical product"**, as specified by a Cabinet Decision. Other goods needed for zero-rated healthcare remain covered, subject to conditions. | Healthcare businesses should recheck product classifications against the Cabinet specifications. |
| **Article 52(2)** | A person is "outside the State" if present in the UAE for **less than 30 days** and that presence is not connected with the supply, replacing "less than a month". | Clarifies the existing position in law for taxpayers. |
| **Article 53(1)(c)** | The labour-law exception now covers labour legislation in the State and **any free zone**. Employer-provided accommodation is excluded from recovery unless mandated by MOHRE. For benefits given under a contract or policy, the "performance of role" and "normal business practice" tests are replaced by cases and conditions to be set by the FTA. | Reassess recovery on employee benefits and accommodation, document the basis, and review on issuance of the FTA conditions. |

## Key amendments (continued)

| Reference | What changed | Suggested practical focus |
|---|---|---|
| **Article 54(3)** | Input tax is not recoverable where consideration exceeding the Ministerial threshold is settled in cash, subject to controls yet to be prescribed. | Identify high-value purchases settled in cash and check payment controls. |
| **Article 55(6), (7) and (19)** | Residual input tax will be apportioned by the value of taxable supplies over total supplies, excluding Capital Asset supplies and value of imports. Government Entities and Charities still follow the current input-tax-based method. | Partly exempt businesses should model the new ratio on past data, test the impact on recovery and confirm systems capture supply values before 1 October 2027. |
| **Article 57(1)** | A Capital Asset is now a **"business asset with a cost"** of AED 5 million or more, excluding VAT, instead of a "single item of expenditure". Useful-life thresholds are unchanged at 10 years for buildings and five years for other assets. | Review high-value assets, capital projects and Capital Asset Scheme registers for correct classification. |
| **Article 60(1)(a)** | The words **"Tax Credit Note"** must appear on the **credit note** itself, correcting the earlier reference to the "invoice". | Confirm Tax Credit Note templates are compliant. |

# Key takeaways

### What businesses should do now

- Review bundled offerings, employee benefit and accommodation policies, and Profit Margin Scheme costings against the new wording.
- Identify high-value and cash-settled purchases, and update Capital Asset registers for the AED 5 million cost test.
- Model the new value-based input tax apportionment before the first Tax Year starting after 1 October 2027 and consider the impact this will have on your business.

# How can we help

- With the recent amendments to the UAE VAT Executive Regulation, businesses should reassess their VAT treatment of composite supplies, employee-related costs, cash payment arrangements, Capital Assets and input tax apportionment methodologies.
- PwC's tax specialists work closely with businesses to assess the technical and operational impact of VAT changes, support implementation and systems readiness, and identify areas where existing VAT positions, processes or controls may need to be updated.
- PwC's Middle East Tax team can support businesses in understanding the amendments, modelling the impact of the revised input tax apportionment rules, reviewing existing VAT recovery positions, and preparing for the relevant effective dates and forthcoming implementing guidance.

# Contact us

**For tailored advice on how these amendments may impact your business operations, please reach out to:**

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# Thank you

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