United Arab Emirates: FTA Decision No. 13 of 2026 on Verification of Supplies before Input Tax Deduction

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In brief

On 22 August 2026, the UAE Federal Tax Authority (FTA) issued Decision No. 13 of 2026 on the *Measures, Procedures and Conditions required by Taxable Persons for the Verification of the Validity and Integrity of Supplies before the Deduction of Input Tax.*

The Decision takes effect from 1 October 2026. From that date, in addition to the existing conditions for input tax recovery under the UAE VAT legislation, businesses will need to perform and document specified verification procedures in relation to their suppliers and the supplies received before deducting input tax.

Key highlights of FTA Decision No. 13 of 2026

The Decision is issued for the purposes of Article 54(bis) of the VAT Law and applies to Taxable Persons in relation to the verification of supplies received before the deduction of input tax. Businesses should review their supplier onboarding and due diligence processes, incorporate the required verification procedures into procurement and accounts payable controls, and maintain the documented internal policy required by the Decision.

Key Areas	Requirements under FTA Decision No. 13 of 2026
Verification of supplier identity and premises	• Supplier verification must be performed when dealing with a supplier for the first time, or on repeat dealings where the supplier has not been verified during the previous 12 months. • Where the supplier is a natural person, obtain a copy of a valid proof of identity, such as an Emirates ID or passport; and meet the supplier, either in person or virtually, before the supply is made. • Where the supplier is a legal person: ▪ verify the supplier's incorporation through official databases or obtain a copy of its certificate of incorporation, and confirm that the incorporation details are valid and consistent with the supplier's relevant information; ▪ verify the identity of the director, agent or employee authorised to represent the supplier and obtain a copy of their valid proof of identity; and ▪ verify the existence of the supplier's actual place of business, electronically or through a field visit, and confirm that it is consistent with the nature of the supplier's activities.
Supplier risk assessment	• The level of risk associated with each supplier must be assessed by considering whether: ▪ the supplier changed its address or key employees more than twice during the previous 12 months; or ▪ the supplier undertook transactions that are disproportionate or unexpected compared with the size and history of its business. • Where an indicator applies, a clear and justified explanation must be retained and provided to the Authority on request. • Where supplies from a supplier exceed, or are expected to exceed, AED 375,000 over a 12-month period, evidence of a UAE bank account must also be obtained, and relevant public information and business reputation reviewed.

Key highlights of FTA Decision No. 13 of 2026 (cont'd)

Key Areas	Requirements under FTA Decision No. 13 of 2026
Verification of the underlying transaction	• Before deducting input tax, the taxable person must also verify the supply itself against the following: ▪ The commercial rationale for the transaction and the supplier's involvement. ▪ The payment flow and method, with arrangements such as cash payments, third-party payments or payments to accounts outside the supplier's country of incorporation requiring justification. ▪ Whether the consideration is reasonable compared with prevailing market rates. ▪ Whether the goods or services fall within the supplier's licensed and ordinary business activities. ▪ The ownership and origin of the goods supplied. ▪ Where the supplier acts as an intermediary, whether there is a justifiable commercial explanation for its role in the supply process.
Small-value exception	• The verification requirements may be disregarded for supplies below AED 10,000, excluding VAT, subject to the prescribed conditions. • The exception does not apply where the total value of supplies received from a single supplier exceeds AED 100,000 over the previous 12 months, or is expected to exceed this amount over the next 12 months.
Procedural requirements, documentation and record keeping	• Verify the supplier in accordance with Article 3 of the Decision when dealing with the supplier for the first time, or on repeat dealings where the supplier has not been verified during the previous 12 months. • Verify each taxable supply received or accepted in accordance with Article 4 of the Decision. • Document the verification steps taken and retain supporting records so that the Authority can verify their correct implementation. • Maintain a documented policy identifying those responsible for implementing, reviewing and supervising the procedures, together with their powers and responsibilities, and retain it with the required documents.

Consequences of non-compliance

Failure to carry out the required verification procedures may impact the taxable person's entitlement to deduct input tax according to Article 54(bis) of the VAT Law. The Decision can be retrieved from the official website of the FTA by this Link.

Key takeaways

- FTA Decision No. 13 of 2026 introduces specific supplier and transaction verification requirements that businesses will need to incorporate into their VAT compliance processes from 1 October 2026.
- Businesses should review their existing supplier onboarding, procurement and accounts payable procedures and ensure that appropriate evidence of the required verification steps is maintained.
- PwC tax specialists can support businesses with reviewing and designing supplier onboarding and verification procedures, identifying higher-value and higher-risk suppliers, and preparing the documented internal verification policy required by the Decision.
- PwC Middle East Tax can also assist businesses with aligning procurement and accounts payable controls with the new requirements and training finance, tax and compliance teams ahead of the effective date.

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Thank you

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