United Arab Emirates:
New FTA Directives clarifying the VAT treatment of selected transactions and activities

July 2026

In brief

In July 2026, the UAE Federal Tax Authority (FTA) issued a series of Directives aimed at clarifying the application of VAT rules in areas that had previously been subject to varying interpretations. These Directives provide practical guidance on the implementation of key legislative provisions, including court-appointed expert services, VAT group deregistration, transactions involving digital currencies, deemed supply rules and life insurance and reinsurance activities.

- **Why it matters**: These Directives are operationally significant; they allocate reporting ownership, prescribe valuation methods, and sharpen the exempt/taxable boundary.
- **Who is affected**: Judicial experts and firms providing expert services; taxpayers exiting VAT groups; businesses transacting in digital currencies; life insurance and reinsurance providers; and any taxable person making deemed supplies of services.

This tax alert highlights the key developments arising from the five recently issued FTA VAT Directives and outlines their implications for taxpayers in the UAE.

Key dates: Directives 1 & 2 issued 8 July 2026 | Directives 3 & 4 issued 14 July 2026 | Directive 5 issued 20 July 2026

At a Glance — FTA VAT Directives

1 Judicial Expert Services

Court-appointed expert services (including to government entities) are subject to VAT.

2 Exit from VAT Groups

Exiting members must report post-exit adjustments linked to transactions previously declared by the Tax Group.

3 Digital Currency Conversion

Convert to AED using the average rate from three FTA-approved exchange platforms.

4 Life Insurance and Life Reinsurance Fees

Fees may be VAT-exempt if rendered directly in connection with and forming an integral part of the policy.

5 Value of Deemed Supplies

Step-by-step method for determining deemed supply value per Article 37 of the VAT Law.

In detail

Directive 1 — Judicial Expert Services

Directive on Tax Transactions No. 1 of 2026 | Issued 8 July 2026 – Accessible through this link

What this Directive covers

Clarifies the VAT treatment of expert services provided by judicial experts registered with the Ministry of Justice (MoJ), a local judicial authority, or arbitration centers.

Confirmed VAT treatment

- **Taxable supply:** Expert services constitute taxable supplies subject to VAT under UAE VAT law.
- **Consideration:** All amounts received for such services constitute consideration for a supply of services.
- **Government payments:** Payment from a government entity does not alter the VAT treatment of the supply.
- **Registration obligation:** Judicial experts must comply with all tax obligations, including VAT registration when threshold conditions are met.

FTA interpretation

The Directive confirms that these services fall within the scope of UAE VAT regardless of whether the expert is appointed by the court, operates independently, or is paid by a government body.

Immediate action checklist

- Review taxable turnover and VAT registration status for individual experts and firms providing expert services.
- Ensure compliance with tax invoice requirements and e-invoicing requirements.
- Retain supporting documentation: contracts, invoices issued, and payment evidence.

Directive 2 — Exit from a VAT Group

Directive on Tax Transactions No. 2 of 2026 | Issued 8 July 2026 – Accessible through this link

What this Directive covers

Clarifies the VAT treatment of transaction-related adjustments of output tax and input tax arising after a person leaves a VAT Group but remains individually VAT-registered.

Confirmed requirements

- **Reporting obligation:** Entities exiting a VAT Group while retaining individual VAT registration must report VAT adjustments related to transactions that occurred during membership, provided those transactions were originally reported in the VAT Group's returns prior to exit.
- **Nature of adjustments:**
  (i) Any reduction in value of taxable supplies previously declared in the VAT Group's returns.
  (ii) Any reduction in value of taxable expenses for which Input Tax was previously recovered through the VAT Group's returns.
- **Audit trail:** Retain evidence that adjustments relate to taxable supplies or expenses previously declared in the VAT Group's returns.

Immediate action checklist

- Create a transaction-level handover of open invoices, credit notes, and prior return references.
- Reconcile open receivables and payables around the exit date and track subsequent changes.
- Notify customers and suppliers of exit to ensure invoices are addressed to the correct TRN.
- Review workflows and tax codes to ensure the representative member does not duplicate the adjustment.

Directive 3 — Digital Currency Conversion

Directive on Tax Transactions No. 3 of 2026 | Issued 14 July 2026 – Accessible through this link

What this Directive covers

Prescribes the method for converting digital currency values into AED for VAT return disclosure.

Three-step conversion method

1

Select Platforms

Choose three FTA-approved centralized public digital currency exchange platforms.

The same platforms must be used consistently for all transactions throughout the calendar year.

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2

Calculate average rate

Use exchange rates prevailing at the date and time of supply (or receipt of consideration) published by the selected platforms.

Calculate the arithmetic average of the three rates.

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3

Convert and record

Convert the digital currency value into AED using the calculated average rate.

Report and retain records with the VAT return.

FTA-approved exchange Platforms

#	Platform
1	Binance FZE
2	Bybit Fintech FZE
3	Deribit FZE
4	Bitget
5	Payward FZCO

Additional requirements

- Retain evidence of exchange rates from each of the three selected platforms plus supporting records for the underlying supply.
- FTA will issue a Public Clarification on procedures where rate data is not available from three approved platforms.

Immediate action checklist

- Management to select three exchange platforms and lock the selection for the full calendar year.
- Store timestamps, screenshots, source rates, and the calculation used to convert with each transaction record.

Directive 4 — Fees related to Life Insurance and Life Reinsurance Contracts

Directive on Tax Transactions No. 4 of 2026 | Issued 14 July 2026 – Accessible through this link

What this Directive covers

Clarifies the VAT treatment applicable to services rendered in connection with life insurance and reinsurance contracts.

Confirmed VAT treatment

- **Conditions for exemption:** Services rendered as part of life insurance/reinsurance contracts are exempt from VAT provided ***both*** conditions are met:
  - (1) The services are rendered directly in connection with a life insurance or reinsurance contract.
  - (2) The service fees are treated as part of the insurance premium (not separate consideration), forming an integral component of the contract.
- **Qualifying services:** Services relating to management, operation, or execution of a life insurance/reinsurance contract, and any similar services meeting the above conditions.

Key risk: Failure to meet either condition subjects the transaction to VAT at the standard rate of **5%**.

Immediate action checklist

- Assess each service individually: determine whether it is independent in nature or forms an integral part of the life insurance/reinsurance contract.
- Maintain sufficient documentation (insurance policies, invoices, and proof of payment) to justify exemption.

Directive 5 — Value of Deemed Supply of Services

Directive on Tax Transactions No. 5 of 2026 | Issued 20 July 2026 – Accessible through this link

What this Directive covers

Provides step-by-step guidance on determining the value of a deemed supply of services under Article 37 of the VAT Law.

Core rule: Value of deemed supply = total direct and indirect costs on which Input Tax was incurred to make the deemed supply.

Step-by-step method

The amount derived from the calculation below represents the value of the deemed supply of services in accordance with Article 37 of the UAE VAT Law.

A Establish Open Market Value (OMV)

OMV of services (or comparable services if unavailable)

Determine the OMV of the services comprising the deemed supply. If unavailable, use the OMV of comparable services.

B Compute Estimated Total Cost

OMV / (1 + net profit margin)

Remove the profit element. Net profit margin is based on prior-year financial statements, or the average sector net profit margin if unavailable.

C Calculate Input Tax Cost Ratio

Costs with Input Tax / Total Costs

Use the previous financial year to determine the percentage of costs on which Input Tax was incurred compared to total costs.

D Determine Deemed Supply Value

Estimated Total Cost (B) x Input Tax Cost Ratio (C)

Apply the ratio to the estimated total cost. The result is the value of the deemed supply under Article 37.

Immediate action checklist

- Identify a supportable OMV or comparable-services benchmark for each deemed supply of service.
- Confirm the prior-year net profit margin to use for all deemed supplies for the rest of the financial year (document and support if using sector-average margin).
- Include the calculation in VAT controls and retain the underlying workings and supporting evidence.

Key takeaways and how PwC can help

- These Directives, while targeted, are operationally significant to businesses as they allocate reporting ownership, prescribe valuation methods, and sharpen the boundary between exempt and taxable supplies.
- PwC's tax specialists work closely with businesses to proactively manage compliance, implement technology-enabled solutions, and minimise the risk of penalties.
- PwC's Middle East Tax team can support businesses in understanding the amendments, assessing their practical impact, and considering whether any updates are needed to existing tax compliance and documentation processes.

Contact Us

Jochem Rossel
Tax Partner
Middle East Tax & Legal Services Leader
jochem.rossel@pwc.com

Steven Cawdron
Tax Partner
UAE Tax & Legal Services Leader
steven.cawdron@pwc.com

Chadi Abou-Chakra
Tax Partner
Middle East Indirect Tax Network Leader
chadi.abou-chakra@pwc.com

Carlos Garcia
Tax Partner
Middle East Customs and International Trade Leader
c.garcia@pwc.com

Maher ElAawar
Tax Partner
Indirect Tax
maher.elaawar@pwc.com

Ishan Kathuria
Tax Partner
Indirect Tax
ishan.k.kathuria@pwc.com

Omara Islam
Tax Partner
Connected Tax Compliance Lead
omara.i.islam@pwc.com

Amit Gopal
Tax Partner
Indirect Tax
amit.g.gopal@pwc.com

Thank you

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