



United Arab Emirates: VATPo46 - Amendments to the VAT Federal Decree-Law No. 8 of 2017

September 2026

A large, stylized orange graphic consisting of two parallelogram shapes joined together, positioned at the bottom of the page. The first parallelogram is on the left, and the second one is on the right, slightly offset upwards and to the right, creating a continuous, angular shape.

In brief

On 4 September 2026, the UAE Federal Tax Authority (“FTA”) issued VAT Public Clarification VATP046, providing further guidance on amendments to the UAE VAT Decree-Law introduced under Federal Decree-Law No. 16 of 2024, effective from 30 October 2024, and Federal Decree-Law No. 16 of 2025, effective from 1 January 2026.

The Public Clarification explains the FTA’s position on a number of important changes, including the VAT treatment of foreign businesses operating in the UAE, Electronic Invoicing, Input Tax recovery, the Reverse Charge Mechanism, VAT credit balances and the new requirements relating to supplies connected with Tax Evasion. Importantly, the Public Clarification applies from the effective date of the relevant legislative amendment, unless otherwise stated.

In detail

Key highlights of VATP046

Key Areas	Clarifications under VATP046
Definition of Non-Resident	• The definition of a Non-Resident has been amended to clarify that a Person is regarded as resident where the Person has a Place of Establishment or Fixed Establishment in the UAE, regardless of whether the Person owns the relevant premises. • The FTA gives the example of employees of a foreign business regularly working from a client’s premises in the UAE. The combination of those employees and the technology resources used by them in the UAE may create a Fixed Establishment. • Foreign businesses with personnel regularly operating from UAE premises should reassess their VAT status. This may affect VAT registration obligations, the application of the Reverse Charge Mechanism by UAE customers and eligibility for VAT refunds available to foreign businesses.
Electronic Invoicing definitions	• New definitions have been introduced for an Electronic Invoicing System, Electronic Invoice and Electronic Credit Note. • An Electronic Invoice or Electronic Credit Note must be issued, transmitted and received in a structured electronic format that enables automatic and electronic processing in accordance with the Electronic Invoicing System. • Importantly, an Electronic Invoice or Electronic Credit Note will only qualify as a Tax Invoice or Tax Credit Note for VAT purposes where the relevant requirements under the VAT Executive Regulation are also met.

Key highlights of VATP046 (cont'd)

Key Areas	Clarifications under VATP046
Recovery of Input Tax	- Article 55 has been amended to introduce an additional condition for the recovery of Input Tax. Where a Tax Invoice is required to be issued, or has been issued, under the Electronic Invoicing System, the Taxable Person must retain the Tax Invoice in Electronic Invoice format in order to recover the related Input Tax. The VAT Decree-Law also allows the Cabinet to prescribe additional conditions for Input Tax recovery. - Businesses should ensure that their invoice receipt, validation and retention processes are aligned with the Electronic Invoicing requirements as these become applicable.
Tax Invoices and Tax Credit Notes	- Registrants subject to the Electronic Invoicing System will be required to issue and transmit Tax Invoices and Tax Credit Notes electronically through the system. - Registrants that are not subject to the Electronic Invoicing System must continue to issue and deliver Tax Invoices and Tax Credit Notes under the existing general VAT invoicing rules.
Administrative Penalties	- Failure to issue a Tax Invoice, Tax Credit Note or permitted alternative document within the prescribed period may result in Administrative Penalties. - For businesses subject to Electronic Invoicing, failure to issue and transmit the relevant invoices and credit notes through the Electronic Invoicing System may also result in Administrative Penalties.
Reverse Charge Mechanism	- From 1 January 2026, a Taxable Person importing Concerned Goods or Concerned Services is no longer required to issue a Tax Invoice to itself. The importer must, however, continue to account for the applicable VAT and retain the required supporting documentation. - For Concerned Services and Concerned Goods imported before 1 January 2026, the FTA refers Taxable Persons to VATP044 and VATP045, respectively.
Statute of Limitation	- Article 79 bis of the VAT Decree-Law dealing with the statute of limitation has been repealed. - The statute of limitation is instead addressed under Federal Decree-Law No. 28 of 2022 on Tax Procedures and its amendments, including Federal Decree-Law No. 17 of 2025, which took effect on 1 January 2026.

Key highlights of VATP046 (cont'd)

Key Areas	Clarifications under VATP046
Excess Recoverable Tax	- The FTA will first offset Excess Recoverable Tax against any Payable Tax or Administrative Penalties due from the Taxable Person. Any remaining balance may be claimed as a refund. - A five-year time limit applies to the use or refund of Excess Recoverable Tax, calculated from the end of the Tax Period in which the credit balance arose. - Where the balance is neither refunded nor used to settle Payable Tax or Administrative Penalties before the end of the five-year period, the right to the remaining balance will lapse. This also applies where only part of the balance has been used. - Businesses carrying forward VAT credit balances should review the age and origin of those balances and identify any amounts approaching the five-year limit.
Input Tax related to Tax Evasion	- New Article 54 bis allows the FTA to reject Recoverable Input Tax where a supply, or a supply chain, is connected with Tax Evasion and the Taxable Person knew, or should have known, of that connection. - A Taxable Person may be treated as having been required to know of the connection where it did not verify the validity and integrity of the relevant supplies before deducting Input Tax. - The requirement is not limited to the Taxable Person's direct supplier or customer and may extend to the wider supply chain. - FTA Decision No. 13 of 2026 sets out the measures, procedures and conditions Taxable Persons are expected to follow and applies from 1 October 2026.

What this means for businesses

The Public Clarification brings together a number of amendments which have significant implications beyond technical VAT compliance, particularly in relation **to supplier due diligence, input tax recovery, Electronic Invoicing readiness, VAT credit management and the VAT status of foreign businesses operating in the UAE.**

Businesses should review the impact of these amendments on their existing VAT positions, processes and controls and take appropriate action where required. Given the **1 October 2026 effective date of FTA Decision No. 13 of 2026**, the supplier and supply verification requirements should be considered as a priority.

Key takeaways

- VATP046 brings together a number of important changes to the UAE VAT framework which businesses should assess across their existing VAT positions, processes and controls.
- While these changes should be considered as part of a broader VAT review, supplier and supply verification should be an immediate priority given that FTA Decision No. 13 of 2026 applies from 1 October 2026. Businesses should therefore review their supplier onboarding, procurement and accounts payable procedures, confirm that the required verification steps are embedded into their processes, and ensure that appropriate supporting evidence is retained before Input Tax is deducted.
- PwC Middle East Tax can support businesses in assessing the impact of these changes and implementing practical updates to their VAT processes and controls.

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Thank you

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