



New UAE VAT Rules: Supplier and Supply Verification Before Input Tax Recovery

A significant new compliance obligation for UAE businesses from 1 October 2026

The UAE Federal Tax Authority has introduced **FTA Decision No. 13 of 2026**, establishing new verification requirements that businesses must consider before recovering input VAT.

Effective from **1 October 2026**, the Decision introduces a significantly stronger due diligence element into the UAE VAT system. VAT-registered businesses may now need to demonstrate not only that they hold a valid tax invoice, but also that they have taken appropriate steps to verify both **their supplier and the underlying transaction**.

Why does this matter?

The new rules are linked to Article 54 (bis) of the UAE VAT Law and are intended to address transactions connected with **tax evasion**, including situations involving fraudulent suppliers or transactions that may not reflect genuine commercial activity.

Importantly, the compliance burden is placed partly on the **recipient of the supply**.

Businesses claiming input VAT should therefore be able to demonstrate that the required verification procedures were carried out and appropriately documented before the deduction was claimed. The requirements apply to Taxable Persons claiming input VAT, subject to the limited exceptions provided by the Decision, and are not generally restricted by business size or sector.

What must businesses verify?

The Decision establishes two main areas of verification.

Supplier verification requires businesses to verify the supplier's identity, legal existence, actual place of business and relevant risk indicators. For corporate suppliers, this includes verifying incorporation and the identity of the authorised director, agent or employee. Businesses must also consider risk indicators such as repeated changes of address or key personnel and transactions that appear disproportionate to the supplier's business.

Transaction verification requires businesses to assess whether the supply itself makes commercial sense. This may include reviewing pricing, payment terms, the supplier's licensed activities, the commercial rationale for intermediaries and, where goods are involved, their authenticity, origin and ownership. Unusual payment arrangements, including third-party or offshore payments, may require additional explanation and documentation.

Important thresholds

The Decision provides some limited relief for smaller transactions:

- Supplies of **less than AED 10,000 excluding VAT** may generally be exempt from the verification requirements.
- However, this exception is not available where supplies from the same supplier exceed, or are expected to exceed, **AED 100,000 within a 12-month period**.
- Where supplies from a supplier exceed, or are expected to exceed, **AED 375,000 within 12 months**, enhanced verification requirements apply. This includes obtaining written bank account confirmation from a UAE-authorised bank and reviewing publicly available reviews and media coverage concerning the supplier.

The AED 375,000 threshold can therefore apply **prospectively**; businesses should not simply wait until invoices have already reached that amount.

Documentation and internal procedures become critical

Businesses are expected to document the verification measures performed and retain the relevant supporting evidence.

Suppliers generally need to be verified when the relationship begins and again where they have not been verified during the preceding **12 months**. Businesses should also maintain a documented internal policy identifying who is responsible for carrying out, reviewing and supervising these procedures.

This means that supplier onboarding and VAT compliance can no longer necessarily be treated as separate processes.

What should UAE businesses do now?

With the new rules taking effect from **1 October 2026**, VAT-registered businesses should review their current supplier onboarding, procurement and accounts payable procedures.

In particular, companies should consider whether they have appropriate processes to verify suppliers, monitor the AED 100,000 and AED 375,000 thresholds, identify unusual transactions and retain evidence supporting their input VAT deductions.

Failure to comply with the verification requirements does not, by itself, automatically result in the denial of input VAT. However, where the FTA establishes that a supply or supply chain is connected with Tax Evasion, a Taxable Person who failed to perform the required verification may be treated as having been required to be aware of that connection. In such circumstances, the FTA may reject the related input VAT deduction.

How can we assist?

If you would like to understand how **FTA Decision No. 13 of 2026** may affect your business, our team at **Meyer-Reumann & Partners** (verena@meyer-reumann.com) can assist with reviewing your existing VAT procedures, supplier verification processes and internal documentation.

In particular, we can support businesses in assessing whether their current supplier onboarding and payment procedures are sufficient to protect their entitlement to recover input VAT under the new rules.

Please note that this article is for general informational purposes only and does not constitute legal advice. - **Legal basis: Federal Decree-Law No. 8 of 2017 on Value Added Tax, as amended; FTA Decision No. 13 of 2026; FTA Public Clarification VATP046.*

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Contact Info

Park Place Tower,
Office No. 503,
P.O. Box 9353,
Dubai,
United Arab Emirates

+971 4 331 7110
+971 506449026
dubai@meyer-reumann.com

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