

New UAE verification requirements for input VAT recovery purpose

Introduction

From 1st October 2026 FTA Decision No. 13 of 2026 introduces a formal verification framework for taxable persons before deducting input VAT.

The framework is issued for the purposes of Article 54(bis) of the UAE VAT Law, which addresses input tax relating to supply chains connected with tax evasion.

The Decision No. 13 requires, in addition to current conditions for input VAT recovery, verification of both the supplier and the underlying supply, together with documentary evidence and an internal policy allocating responsibility for the controls.

Supplier-level verification

Key area	Requirement under FTA Decision No. 13
Supplier verification	Verify the supplier when dealing with it for the first time, or where it has not been verified during the previous 12 months
Identity / legal existence	For individuals: valid ID and meeting the supplier in person or virtually For legal persons: incorporation, authorised representative and identity checks
Place of business	Actual business premises must be verified electronically or by field visit and be consistent with the supplier's activities
Supplier risk	Consider repeated address or key-personnel changes and transactions disproportionate or unexpected for the supplier
Higher-value suppliers	Where supplies exceed or are expected to exceed AED 375,000 over 12 months, obtain evidence of a UAE bank account and review relevant public information / reputation
Underlying supply	Verify commercial rationale, payment arrangements, pricing, business activity, ownership/origin of goods and intermediary role

Transaction-level verification

Before deducting input VAT, the taxable person must assess the supply against a number of substantive indicators.

Transaction test	Requirements under FTA Decision No. 13
Commercial rationale	Why the transaction occurred and why the supplier is involved
Payment flow	Whether the payment method and recipient are commercially explainable
Non-standard payment	Electronic payment is presented as the expected method, while non-standard payment arrangements (cash, third-party payments or payments to an account outside the supplier's country of incorporation) require justification.
Pricing	Consideration should be reasonable against prevailing market rates
Business activity	Goods/services should fall within the supplier's licensed and ordinary business activities
Goods	Ownership and origin should be verified
Intermediaries	A commercially justifiable reason should exist for the intermediary's role

Accordingly, for high-volume businesses, the principal challenge is likely to be the integration of these tests into the purchase-to-pay process, rather than simply creating a new tax checklist.

Exception thresholds

Threshold	Consequence
Below AED 10,000 per supply, excluding VAT	Verification requirements may be disregarded, subject to the conditions in the Decision
More than AED 100,000 from the same supplier over the relevant 12-month period	The small-value exception ceases to apply
More than / expected to exceed AED 375,000 from a supplier over 12 months	Enhanced supplier checks apply, including UAE bank-account evidence and review of relevant public information / reputation

The critical control issue is therefore supplier-level aggregation, not merely invoice-level value.

Governance and documentation

Decision No. 13 requires the taxable person to retain evidence of the verification undertaken and maintain a documented internal policy identifying the persons responsible for implementation, review and supervision, including their powers and responsibilities.

Thus, the key question for CFOs and Tax Directors is whether the group can demonstrate, before input VAT deduction, what was checked, by whom, when and on what evidence.

In this context, we recommend assessing whether existing supplier onboarding, procurement, accounts payable and VAT-return review processes are sufficient to evidence compliance.

Perspective and takeaway for CFOs and Investors

For multinational groups, the practical impact is that a valid VAT invoice will no longer be the only relevant control point. Supplier onboarding, procurement, accounts payable, treasury and VAT processes will need to produce evidence that the required verification has been performed before input VAT is deducted. Accordingly, implementation should be treated as a cross-functional finance-control project rather than a standalone VAT-policy update.

The issue should also be incorporated into tax due diligence and post-acquisition controls. Particular attention should be given to businesses with large supplier populations, recurring intermediary arrangements, unusual payment flows or substantial procurement activity.

This said, we do not expect in practice the new requirements to have broader application outside tax-evasion cases, while noting that they may serve as useful governance guidance notably for strengthening the taxpayer's position (e.g. for due diligence documentary support purpose).

How can we help you?

We, at The Cragus Group, can assist your company by providing the following services:

- Assess VAT compliance gap against FTA Decision (e.g. supplier risk assessment and segmentation, as well as transaction verification checklist and documentation framework);
- Design the internal verification policy required under FTA Decision.
- Implement trainings on the new requirements for Finance, Tax and Procurement teams.

Contact information

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Why choosing The Cragus Group?

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