

Key Amendments to the UAE VAT Law, Excise Tax Law and Tax Procedures Law

Effective 1 January 2026

The UAE Ministry of Finance has announced substantial updates to the VAT Law, Excise Tax Law and the Tax Procedures Law through Federal Decree-Law No. 16 and No. 17 of 2025. These amendments reshape compliance obligations, refund entitlement periods, audit powers and procedural requirements for all taxpayers.

A key feature of the new framework is the introduction of a **uniform five-year time limit** governing refund claims across all tax types, including VAT, Excise Tax and administrative matters falling under the Tax Procedures Law. This shift places increased emphasis on timely compliance and proactive management of outstanding credit balances and refund positions.

The summary below outlines the principal amendments across the three laws.



A. Amendments to the Tax Procedures Law (Federal Decree-Law No. 17 of 2025)

1. Article 9(3): Time Limit for Applying Credit Balances

Tax credits and overpayments must now be utilised within **five years** from the end of the relevant tax period. Upon expiry, the right to apply such credits is lost.

2. Article 10(5): Voluntary Disclosure

Voluntary Disclosures will only be required in cases specifically identified by the FTA. Other errors may be corrected directly through the tax return.

3. Article 38: Five-Year Time Limit for Refund Requests

Refund applications must be submitted within a five-year period, with specific provisions for credit balances arising after or near the expiry of this window. Claims submitted after the applicable deadlines will no longer be valid.

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Taxpayers should maintain ongoing oversight of credit balances and ensure supporting documentation is complete to avoid forfeiture of refund rights.

4. Article 46: Expanded Audit Timeframes

While the standard limitation period for audits remains five years, new exceptions permit the FTA to conduct audits and issue assessments beyond this timeframe in defined situations, including refund claims filed in the fifth year.

5. Article 54 (bis): Mandatory FTA Guidance

The FTA must now issue formal guidance explaining the application of VAT and Tax Procedures Law provisions, supporting consistency and clarity in compliance.

6. Transitional Provisions

Taxpayers whose refund claim period has expired—or will expire within one year from 1 January 2026—may still apply for refunds within one year of the Decree-Law's effective date (i.e., 1 January 2026). Additional flexibility applies to Voluntary Disclosures relating to refund applications.

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This establishes a final opportunity to pursue historic refund claims, particularly for tax periods from 2018 to 2020.

B. Amendments to the UAE VAT Law (Federal Decree-Law No. 16 of 2025)

1. Article 48: Reverse Charge Invoicing

The amended law confirms that taxpayers are not required to issue self-invoices for reverse-charge import transactions, reducing administrative steps.

2. Article 54 (bis): Input Tax and Tax Evasion Risk

Input tax recovery may be denied where the supply forms part of a tax-evasion chain and the taxpayer knew—or should reasonably have known—of the connection, reinforcing the need for supplier due diligence.

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Businesses should document supplier vetting processes and maintain audit-ready evidence of due diligence.

3. Article 74(3): Time Limit on Excess Input Tax

Excess recoverable input tax may only be carried forward for up to five years. Any unclaimed or unapplied excess after this period will lapse.

4. Article 79 (bis): Repeal

Conflicting provisions previously contained in Article 79 (bis) are repealed.

C. Amendments to the Excise Tax Law – Statute of Limitation Cancelled

The Excise Tax Law has been amended to remove its standalone statute of limitation clause, previously contained in **Article 25 (bis)**. This article has now been **cancelled pursuant to Federal Decree-Law No. 17 of 2025**, as stated explicitly in the published text of the Excise Law.

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Taxpayers registered for Excise Tax should reassess their compliance and refund positions in light of the unified five-year limitation rules. Credit balances, historic periods, and any pending refund opportunities should be reviewed promptly to prevent the loss of entitlement under the new statutory time limits.

Conclusion

The amendments across the VAT Law, Excise Tax Law and Tax Procedures Law introduce a more structured and time-bound compliance framework. The new five-year limitation periods, expanded audit powers and clarified refund procedures require taxpayers to actively manage tax positions and ensure documentation and internal processes are aligned with the updated requirements.

Businesses are encouraged to:

- ▶ Evaluate all outstanding credit balances and refund positions, ensuring claims are submitted within the newly prescribed statutory timelines.
- ▶ Review historical VAT and Excise Tax periods to identify any excess input tax or refundable amounts that may lapse under the new five-year limitation rules.
- ▶ Strengthen internal controls, documentation standards and data accuracy, particularly regarding supplier due diligence and evidentiary requirements for input tax recovery.
- ▶ Assess existing compliance processes and reporting workflows to ensure alignment with the updated Tax Procedures Law and the expanded audit provisions.
- ▶ Implement a forward-looking compliance strategy, supported by periodic reviews, to maintain readiness for audits, refund interactions and evolving regulatory guidance.

We remain available to assist in evaluating the impact of these amendments and in implementing the necessary compliance enhancements ahead of the 1 January 2026 effective date.



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