ANDERSEN

UAE VAT Update

Measures and Procedures for Verifying Supplies Before Input Tax Deduction

1. Overview

Federal Tax Authority Decision No. 13 of 2026, issued on 22 July 2026 and effective from 1 October 2026, introduces detailed measures, procedures and conditions that Taxable Persons are required to consider when verifying the validity and integrity of suppliers and underlying supplies before deducting Input Tax.

The Decision extends VAT input tax controls beyond holding a valid Tax Invoice, introducing a broader "Know Your Supplier" and "Know Your Supply" approach. This includes consideration of the supplier's identity, place of business, commercial activities, payment arrangements and the circumstances of the underlying transaction in line with Article 54(bis) of the UAE VAT Law.

2. Key Verification Requirements

The Decision broadly introduces two levels of verification:

- Firstly Supplier verification - Identity, legal existence, authorised representative, place of business, activity, risk indicators, bank account and external information
- Secondly Supply verification - Commercial rationale, payment terms, pricing, supplier activity, origin and ownership of goods and intermediary arrangements

2.1 Supplier Verification

Taxable Persons must verify the supplier's identity and existence. For natural persons, this includes obtaining valid identification, such as an Emirates ID or passport, and conducting a physical or virtual meeting. For legal persons, this includes verifying incorporation and the identity of the authorised director, agent or employee. The Taxable Person is also required to verify:

- The existence of the supplier's actual place of business;
- Whether the place of business is consistent with the supplier's activities;
- Whether the supplier has changed its address more than twice during the previous 12 months;
- Whether key employees have changed more than twice during the previous 12 months; and
- Whether transactions appear disproportionate or unexpected compared with the size and history of the supplier's business.

Where a risk indicator exists, a clear and justified explanation should be retained.

Enhanced Supplier Verification Where supplies from a supplier exceed, or are expected to exceed, AED 375,000 over a 12-month period, enhanced verification is required, including:

- Obtaining confirmation from an authorised UAE bank that the supplier maintains a bank account; and
- Reviewing available customer recommendations, public reviews and reliable media information for indicators of suspected Tax Evasion.

2.2 Supply Verification

The Decision also requires Taxable Persons to verify the commercial substance and circumstances of each Taxable Supply received or accepted.

- Commercial Rationale: Businesses should assess whether the transaction has a genuine commercial rationale and whether the supplier's involvement is commercially justifiable.
- Payment Conditions: Payment methods and terms should be commercially reasonable. Additional scrutiny is required where
  - A third party is involved in making or receiving payment;
  - Payment is made to a bank account outside the supplier's country of incorporation; or
  - Payment is made in cash.

Such arrangements should be supported by a reasonable and documented commercial explanation.

The Decision requires consideration for the supply to be paid by electronic means. Where payment is made in cash, it must be supported by a documented commercial reason, remain within applicable tax thresholds and be easily verifiable.

- Transaction Circumstances: Businesses should also verify the following:
  - Prices or profit margins are not commercially unjustifiable or significantly different from market conditions without a clear explanation;
  - The goods or services supplied are within the supplier's ordinary or licensed business activities;
  - The authenticity and origin of goods can be established;
  - The supplier has ownership of, or the right to dispose of, the goods; and
  - Where an intermediary is involved, there is a clear commercial rationale for its involvement.

3. Thresholds and Exceptions

The Decision introduces the following key thresholds:

Threshold	Application
Less than AED 10,000	Verification measures may generally be disregarded for the individual Taxable Supply.
AED 100,000	AED 10,000 exception does not apply where the total value of supplies received from the same supplier exceeds AED 100,000 during the previous 12 months, or is expected to exceed AED 100,000 during the next 12 months.
AED 375,000	Enhanced supplier verification, including bank account confirmation and external information review.

Accordingly, businesses should consider both the value of the individual supply and the aggregate value of supplies from the supplier when determining the level of verification required.

4. Business Implications

4.1 Supplier Onboarding and Periodic Review

Supplier onboarding procedures should be reviewed to ensure that the required identity, incorporation, address and business activity checks are incorporated. Supplier verification should be performed:

- When dealing with a supplier for the first time; or
- Where an existing supplier has not been verified during the previous 12 months.

4.2 Transaction-Level VAT Controls

The Decision requires verification not only at supplier level but also for each Taxable Supply received or accepted. Businesses should also assess whether Procurement, Accounts Payable and VAT controls adequately capture the commercial rationale, payment arrangements, pricing, nature of supply, supplier activity and supporting evidence for each Taxable Supply.

4.3 Documentation and Audit Readiness

Businesses should document the verification procedures performed, retain appropriate supporting records, and establish a policy identifying the persons responsible for performing, reviewing and supervising the process, together with their respective roles and authority. This represents an important change from a traditional VAT invoice focused control to a broader supplier and transaction due diligence framework.

5. Recommended Next Steps

With the 1 October 2026 effective date approaching, businesses should prioritise the following actions:

Step	Recommended Action
Step 1	Conduct a gap analysis of existing supplier onboarding, procurement, Accounts Payable and VAT recovery controls against FTA Decision No. 13 of 2026.
Step 2	Identify suppliers exceeding the AED 100,000 and AED 375,000 thresholds and determine the additional verification requirements.
Step 3	Review a sample of purchase transactions to assess whether the required supplier, commercial, payment and supply-level evidence is currently available.
Step 4	Develop or update the supplier and supply verification policy, including roles, responsibilities, approval procedures and supporting documentation ahead of 1 October 2026.

How we support businesses

We support businesses in translating the new FTA requirements into a practical and sustainable supplier and transaction verification framework. Combining our UAE VAT expertise with experience in tax governance, process design and implementation, we can help businesses strengthen controls while ensuring they remain aligned with the requirements of FTA Decision No. 13 of 2026. Our support can include:

- Assessment of existing controls and gap analysis against the new requirements
- Supplier due diligence and risk assessment, including onboarding and periodic verification processes
- Development of verification procedures, documentation and governance frameworks to support a clear audit trail, helping in drafting vendor onboarding SOP from VAT perspective
- End-to-end implementation support, including coordination with Tax, Finance, Procurement and Accounts Payable teams

Get in touch

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