

UAE VAT Update

Amendments to the Executive Regulation of the UAE VAT Law

Cabinet Decision No. 149 of 2026



1.Overview

Cabinet Decision No. 149 of 2026 amends certain provisions of Cabinet Decision No. 52 of 2017 on the Executive Regulation of Federal Decree-Law No. 8 of 2017 on Value Added Tax.

The amendments cover key VAT areas such as composite supplies, the profit margin scheme, healthcare-related goods, employee related tax recovery, cash payment restrictions, input tax apportionment, the Capital Asset Scheme and Tax Credit Note requirements. The amendments were introduced to clarify existing VAT rules, address practical issues identified since implementation, and make the VAT framework more consistent. The Decision is generally effective from 1 October 2026, except for the amendments relating to input tax apportionment and the specific recovery mechanism for Government Entities and Charities, which will apply from the first tax year commencing after 1 October 2027.

2. Key Amendments Introduced

The key amendments introduced by Cabinet Decision No. 149 of 2026 are summarized below:

Article / Clause	Existing VAT Treatment / Area Covered	Key Amendment	Practical Impact for Businesses
Article 4(6) – Single composite supply	Article 4 already covered single composite supplies and multiple supplies.	A new clause confirms that a taxable person cannot treat a multi-component supply as multiple supplies where the nature and economic substance show that the components are interconnected and cannot be separated. In such cases, it is treated as a single composite supply and follows the principal component.	Businesses offering packages, bundles, combined contracts or mixed supplies should review whether components can genuinely be separated. Artificial split of supplies may be challenged.

Article 53(1)(c)(1) – Employee benefits legally required	Input tax on goods / services provided to employees for personal benefit was generally blocked, except where required under applicable labour law or other exceptions.	The amended clause confirms that the legal obligation may arise under labour legislation in the UAE or any free zone, including financial and non-financial free zones. However, employee accommodation is excluded unless the accommodation is mandatory under MOHRE decisions or directives.	Businesses should reassess Input VAT recovery on employee benefits, especially accommodation, to confirm that the benefit is required under applicable labour law or MOHRE. Employee accommodation provided only under company policy, employment contract or as a staff benefit, without being mandatory under MOHRE decisions or directives, would not qualify for input VAT recovery.
Article 53(1)(c)(2) – Contractual / documented employee benefits	Recovery could be considered where the benefit was provided under contractual obligation or documented policy and necessary for the employee to perform the role / normal business practice.	The amended clause now refers to contractual obligation or documented policy in accordance with cases and conditions specified by the FTA.	Businesses should wait for / monitor FTA guidance and ensure employee benefit recovery is supported by employment contracts, policies and the FTA-specified conditions.
Article 54(3) – Input tax blocked on certain cash payments	No specific restriction under Article 54 for input VAT recovery based on high-value cash payment mode.	New clause provides that input tax may not be recovered on supplies exceeding the amount to be specified by Ministerial Decision where consideration is paid or intended to be paid in cash, subject to controls to be issued.	High-value cash payments may block input VAT recovery once the Ministerial Decision threshold is issued.

Article 55(6) – Input tax apportionment categories	Input tax apportionment rules applied to determine recoverable and non-recoverable input tax.	The amended clause clearly separates input tax into: fully recoverable input tax, non-recoverable input tax, residual input tax partly related to recoverable and non-recoverable supplies, and a separate rule for Government Entities and Charities.	Businesses should identify whether input VAT can be directly attributed to recoverable or non-recoverable activities. Only input VAT relating to common or shared costs should be treated as residual input tax and subjected to the apportionment methodology. Businesses with mixed taxable / exempt / non-business activities should review their input VAT apportionment workings and ensure that the correct input tax is included in the apportionment calculation.
Article 55(7) – Input tax apportionment calculation	Standard apportionment historically focused on input-tax-based recovery ratios.	The amended clause introduces a calculation based on the percentage of supplies under Article 54(1) of the VAT Decree-Law to the total value of all supplies. Capital asset supplies, receipt of concerned goods and receipt of concerned services under Article 48 are excluded.	This is a major change. The standard apportionment method becomes more turnover / supply-value based. Businesses should assess the impact on input VAT recovery percentages before the effective tax year.
Article 55(19) – Government Entities and Charities	The general input tax apportionment rules applied where input tax partly related to recoverable and non-recoverable activities. There was	A new specific calculation has been introduced for Government Entities and Charities. Where input tax partly relates to recoverable activities	Government Entities and Charities will have a separate recovery calculation for mixed-use expenses.

	no separate calculation specifically for Government Entities and Charities.	and partly to non-recoverable activities, the recoverable portion must be calculated based on the ratio of recoverable input tax to total input tax for the tax period.	
Article 29(5) – Profit Margin Scheme	Purchase price for profit margin scheme included the purchase price of goods and related costs / fees incurred to purchase the goods.	The amended clause clarifies that purchase-related costs or fees can be included in the purchase price only where input tax on such costs or fees is not recoverable under Article 54 of the VAT Decree-Law.	Businesses applying the profit margin scheme should review whether purchase-related costs are being included correctly. Costs on which input VAT is recoverable should not increase the purchase price for profit margin calculation.
Article 41(4) – Healthcare goods / medical products	The earlier wording separately referred to pharmaceutical products and medical equipment, along with other goods supplied as part of zero-rated healthcare services.	The amended wording combines pharmaceutical products and medical equipment under the term “medical products”, as specified in a Cabinet Decision.	Healthcare providers should confirm whether goods qualify as “medical products” or are necessary for zero-rated healthcare services.
Article 57(1) – Capital Asset Scheme	Capital asset was linked to a single item of expenditure of AED 5 million or more, excluding tax, with required useful life of at least 10 years for buildings and 5 years for other capital assets.	The amended clause refers to a business asset with cost of AED 5 million or more, excluding tax, on which tax is payable, with useful life of at least 10 years for buildings and 5 years for other capital assets.	Capital asset assessments should be reviewed based on the updated “business asset” wording.

Article 52(2) – Person outside the State	A person could be considered outside the UAE if present in the UAE for a short period, generally less than one month, and the presence was not effectively connected with the supply.	The period is now clarified as less than 30 days, provided the presence is not effectively connected with the supply.	The “outside the State” test is now clearer and should be assessed using the 30-day rule.
Article 60(1)(a) – Tax Credit Note particulars	The earlier wording referred to the words “Tax Credit Note” being displayed on the invoice, but there was drafting ambiguity / wording issue.	The amended clause clarifies that the words “Tax Credit Note” must be clearly displayed on the credit note.	Tax Credit Note templates should clearly display the words “Tax Credit Note”.

3. Recommended Action

With the general effective date of 1 October 2026 approaching, businesses should consider the following actions:

- 01 | Review bundled supplies, packages and mixed arrangements to determine whether they should be treated as single composite supplies.
- 02 | Review employee benefit policies, including staff accommodation, to assess whether input VAT recovery remains supportable.
- 03 | Assess the impact of the revised input tax apportionment rules, especially for businesses making both taxable and exempt supplies.
- 04 | Identify any high-value cash payment arrangements and monitor the Ministerial Decision specifying the applicable threshold and controls.
- 05 | Update VAT policies, ERP settings, tax codes, credit note templates and internal SOPs where required.

4. How we support businesses

At Andersen, we can assist businesses in assessing the impact of Cabinet Decision No. 149 of 2026 and identifying the practical VAT implications arising from the amendments. This may include reviewing the treatment of composite supplies, employee benefits and accommodation-related input VAT recovery, input tax apportionment methodologies, healthcare-related supplies, and the Capital Asset Scheme.

Our assistance may also include the review of ERP and tax coding, the review of Tax Credit Note requirements, and the review, development or update of related VAT SOPs and internal control procedures.

5. Key Takeaway

Cabinet Decision No. 149 of 2026 introduces important VAT changes that may impact input tax recovery, apportionment methodology, employee benefits, composite supplies, healthcare goods, cash payments, capital assets and VAT documentation.

Businesses should not treat the amendments as purely technical updates. A practical review should be performed to assess the impact on VAT return preparation, ERP configuration, procurement controls, accounts payable processes, employee benefit policies and supporting documentation.

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