

UAE Tax and Legal Updates

September 2026

Contents:

FTA Decision No. 13 of 2026 — Verifying Suppliers and Supplies before Deducting Input Tax	1
FTA Decision No. 4 of 2026 — Rules and Requirements for Maintaining Accounting Records and Commercial Books	2
FTA Decision No. 7 of 2026 — Procedures for the Disposal of Seized and Abandoned Goods	3

FTA Decision No. 13 of 2026 — Verifying Suppliers and Supplies before Deducting Input Tax

Published: 18 August 2026 | Issued: 22 July 2026 | **Effective: 1 October 2026**



Who this affects: any UAE VAT-registered business that deducts input tax on supplies received from third-party suppliers.



What has changed

- The FTA has for the first time formalised a mandatory due-diligence procedure before input tax can be deducted (Article 54(bis) of the VAT Law).
- You must verify the supplier's identity and incorporation, their actual place of business, and risk indicators (changes of address/key staff, unusual transactions).
- For each supply — the commercial rationale, payment method, whether pricing matches market conditions, whether it fits the supplier's licence, and the authenticity/origin of the goods.
- Every step must be documented, and the business needs a written policy with a named person responsible.



Key thresholds — check where you stand

Threshold	What it means
< AED 10,000	Verifying that specific supply is optional — unless the supplier exceeds the threshold below
> AED 100,000 / supplier / 12 months	The small-supply exemption no longer applies — verification is required for all supplies from that supplier
> AED 375,000 / supplier / 12 months	Enhanced verification is required: bank confirmation + a reputational review of the supplier



Risk of non-compliance

Without documented verification, the FTA can disallow the input tax deducted on the relevant supplies, assess additional tax, and impose administrative penalties. This is a financial exposure, not a paperwork formality — a gap in the file for one supplier can put deductions across the entire relationship with that supplier back in question during an audit.



Do now, by 1 October 2026

- ✓ Draft and approve a written supplier and supply verification policy.
- ✓ Assign a named owner (person or team) responsible for running and overseeing the procedures.

Build into your ongoing process

- ✓ Verify new suppliers on first dealing (identity, incorporation, place of business).
- ✓ Apply enhanced verification (bank confirmation + reputational check) for suppliers with turnover above AED 375,000 over 12 months.
- ✓ Default to electronic payment; document the commercial reason for any cash payment.
- ✓ Retain supporting documentation per transaction, ready to produce to the FTA on request.
- ✓ Track the AED 100,000 per-supplier threshold to know when the small-supply exemption stops applying.



How we can help

Our team supports clients through every stage of implementing this Decision:

- ➡ Drafting and approving an internal supplier and supply verification policy that meets Article 54(bis) requirements.
- ➡ Carrying out supplier due diligence and reviewing your existing supplier base for risk.
- ➡ Setting up documentation and record-retention procedures ready for an FTA review, including migrating opening balances and records into a new or updated accounting system.
- ➡ Training the staff responsible for running the new verification procedures.
- ➡ Supporting you in dealings with the FTA if questions arise over input tax deductions.



FTA Decision No. 4 of 2026 — Rules and Requirements for Maintaining Accounting Records and Commercial Books

Published: 18 August 2026 | Issued: 2 June 2026 | **Effective: 30 July 2026**

Already in effect since 30 July 2026 — compliance is expected now, not by a future date.



Who this affects: any taxable person required to keep accounting records and commercial books under UAE tax law — in practice, all VAT-registered businesses.



What has changed

- The FTA has formally defined “Electronic Copy” and “Photocopy” and set binding standards for how each must be kept.
- Copies must be complete, identical to the original, and retained in the original page order — partial scans are no longer accepted.
- Paper copies must be of a quality that prevents fading over the retention period; coloured originals may be kept as non-coloured copies if all details stay legible.
- The FTA must be given access to records and the systems they are stored in on request, including any passwords or encryption keys.
- Records can be outsourced to a third party, but legal responsibility for their accuracy and safekeeping stays with the taxable person.



Risk of non-compliance

Incomplete, poorly ordered, or illegible records may be treated by the FTA as a failure to meet the record-keeping obligation, exposing the business to administrative penalties and to difficulty substantiating figures during an audit. Inability to produce passwords or encryption keys on request carries the same risk.



Do now

- ✓ Audit current document storage for completeness, page order and legibility.
- ✓ Confirm the business can grant the FTA access to storage systems and any passwords/encryption keys on request.
- ✓ Review third-party bookkeeping or archiving arrangements against the new standard.

Build into your ongoing process

- ✓ Apply the completeness/order/legibility standard to every new scan or photocopy going forward.
- ✓ Keep non-coloured backups where paper originals are at risk of fading.
- ✓ Confirm any outsourced record-keeping provider remains compliant on an ongoing basis.



FTA Decision No. 7 of 2026 — Procedures for the Disposal of Seized and Abandoned Goods

Published: 19 August 2026 | Issued: 11 June 2026 | **Effective: 30 July 2026**

Already in effect since 30 July 2026.



Who this affects: businesses or individuals whose goods have been seized by the FTA, or who are otherwise involved in a dispute (e.g. excise or VAT enforcement) where goods may be held or disposed of.



What has changed

- The FTA has set out detailed procedures for storing, moving and monitoring seized or abandoned goods that are perishable, at risk of shortage/leakage, or potentially dangerous.
- A dedicated Committee now identifies qualifying goods, oversees their handling, and decides on disposal.
- Sale can only happen via public auction through a licensed auction service provider, following set criteria (reserve price, participation rules, payment terms).
- Proceeds are applied in a fixed order: auction/storage/movement costs, then tax due, then administrative penalties, with any balance credited to the owner or, if waived, treated as FTA revenue.
- Goods tied to an ongoing investigation or court case cannot be sold without prior approval from the public prosecution or the competent court.



What this means for you

Owners now have a clearer right to notice before any sale — the FTA must communicate the sale decision, its reasons and the date in advance. This creates a real window to settle outstanding tax and penalties, or otherwise arrange to retrieve the goods, before they are sold at auction.



Do now

- ✓ If the business currently has goods held by the FTA, confirm their status and any amounts owed.
- ✓ Settle any outstanding tax or administrative penalties promptly to avoid the goods being sold at auction.

Build into your ongoing process

- ✓ Respond promptly to any FTA notice regarding seized or abandoned goods.
- ✓ Factor the new proceeds-allocation order into any assessment of financial exposure if goods are seized.



How we can help

Our team can support your business across both of these Decisions:

- ➡ Reviewing your current record-keeping practices against the new Decision No. 4 standard and closing any gaps.
- ➡ Assisting with migrating records and opening balances into a new or updated, compliant accounting system.
- ➡ Advising on and managing communications with the FTA regarding seized or abandoned goods under Decision No. 7, including settlement of amounts due to avoid disposal.
- ➡ General advisory support on how either Decision applies to your specific situation.

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