

ATOZ ALERT

UAE tax procedures updates: Key amendments effective 1 January 2026

8 December 2025

On 1 October 2025, the United Arab Emirates (“UAE”) promulgated Federal Decree-Law No. 17 of 2025 and Federal Decree-Law No. 16 of 2025 (the “**2025 Federal Decree-Laws**”), which introduce substantial modifications to tax procedures, also applicable to value added tax (“VAT”) and excise tax.

On 3 December 2025, the UAE published consolidated versions of:

- [Federal Decree-Law No. 28 of 2022 on Tax Procedures](#), as amended by Federal Decree-Law No. 17 of 2025 applicable to every tax imposed under the UEA tax law, that the Federal Tax Authority (“FTA”) is mandated to administer, collect and enforce;
- [Federal Decree-Law No. 7 of 2017 on Excise Tax](#), as amended by Federal Decree-Law No. 17 of 2025; and
- [Federal Decree-Law No. 8 of 2017 on Value Added Tax](#), as amended by Federal Decree-Law No. 16 of 2025.

These amendments, effective as of 1 January 2026, are intended to enhance legal certainty, standardise administrative practices, and align the UAE tax framework with international norms.

This alert provides a detailed analysis of the principal changes introduced and their implications for UAE taxable persons.

Updates to the Tax Procedures Law

- **Deadline for application of tax refund**

A **taxable person may request a refund of any credit balance** to which they are entitled under the tax law, provided it is confirmed that the balance exceeds the payable tax and administrative penalties, in accordance with the procedures outlined in the Executive Regulation.

According to Federal Decree-Law No. 28 of 2022 on Tax Procedures, as amended, the **standard deadline for submitting a refund request is now 5 years** from the end of the relevant tax period, depending on the origin of the credit (i.e., overpayment, tax return/voluntary disclosure, or other cases).

However, **specific extensions may apply**:

- If the balance arises from a **tax authority decision after the 5-year period or during its last 90 days**, the request can be submitted within **1 year**.
- **In other cases** arising after the 5-year period or during the last 90 days, the request must be submitted within **90 days**.

Once filed, the FTA will review the refund request and will notify the taxable person of acceptance or rejection. However, **failure** to submit a request within these deadlines will result in the **loss of the right to claim a refund**.

***Transitional measure:** To facilitate a smooth transition, the UAE extends the deadline for taxable persons eligible for a refund or credit balance whose standard five-year claim period has expired or is set to expire within one year from 1 January 2026. These taxable persons may submit a refund request or apply the balance toward tax liabilities or administrative penalties, provided the request is made within one year from 1 January 2026.*

- **Use of credits or overpayments**

When **making a payment to the FTA**, the taxable person must indicate the type of tax and the corresponding tax period, and the FTA will allocate the payment accordingly.

However, the Federal Decree-Law No. 28 of 2022 on Tax Procedures, as amended, provides now that **in case of overpayments or of credit balances with the FTA**, the FTA may allocate the amount or credit balance to **settle any tax or liabilities within 5 years** from the end of the relevant tax period.

- **Correction of tax return errors**

In principle, **if a taxable person discovers** that a tax return, a tax assessment, or a tax refund application contains **errors**:

- They **must submit a voluntary disclosure** if the error caused the payable tax under the Tax Law to be understated or the refund amount to be overstated; and
- They **may submit a voluntary disclosure** if the error caused the payable tax under the Tax Law to be overstated or the refund amount to be understated.

The Federal Decree-Law No. 28 of 2022 on Tax Procedures, as amended, now introduces a new obligation. **Errors or omissions with no impact on tax due must also be corrected** by the taxable person either via voluntary disclosure (when required by the FTA) or directly through a corrected tax return in any other case.

The **5-year limitation period** generally applies to voluntary disclosures submissions, except for those linked to pending refund claims decision by the FTA.

As a transitional measure, taxable persons with refund applications submitted within one year from 1 January 2026 may submit a voluntary disclosure related to that refund, even if the standard 5-year limitation has expired, provided the disclosure is made within 2 years from the date of submission of the refund application and the FTA has not yet issued a decision.

- **Statute of limitation for tax audits and tax assessments**

The **standard statute of limitation** for the FTA to conduct tax audits or issue tax assessments is **five years** from the end of the relevant tax period. However, certain **exceptions** permit actions beyond this timeframe in the following cases:

- **Tax audit notification:** If an audit is notified before the five-year limitation period ends, it must be completed or the assessment issued within four years of the notification.

- **Voluntary disclosure:** If submitted in the fifth year, the audit or assessment must be finalised within one year of submission.
- **Refund or credit balance application:** If submitted in the fifth year (or during an applicable extension), the audit or assessment must be completed within two years of submission.
- **Tax evasion or failure to register:** The FTA may act within 15 years, counted from the end of the tax period in which the evasion occurred or from the date the taxable person should have registered.

Transitional measure: The FTA may conduct a tax audit or issue an assessment in relation to refund applications submitted within one year from 1 January 2026, even if the standard 5-year period has lapsed, which must be completed within 2 years from submission.

The statute of limitation **may be interrupted** under federal civil transaction law or other applicable laws. In addition, the Cabinet may, according to a suggestion by the Minister, issue a decision to amend the period specified for the completion of the Tax Audit or the issuance of the Tax Assessment.

Finally, the specific **provisions establishing a statute of limitation** in the VAT Law and in the Excise Tax Law have been repealed to avoid redundancy.

- **Issuance of binding decisions**

The Federal Decree-Law No. 28 of 2022 on Tax Procedures, as amended, grants the FTA with a **new authority**. The FTA may now **issue decisions providing guidance** on the implementation of the Tax (Procedures) Law in relation to tax transactions, which are **binding** on both the FTA and the taxable person.

Updates to the VAT Law

- **Reverse charge simplification**

The amended Federal Decree-Law No. 8 of 2017 on VAT stipulates that when a taxable person **imports goods or services for business purposes**, they are **deemed to make a taxable supply to themselves** and must account for the applicable VAT and fulfill all related obligations. However, they are **not required to issue a tax invoice to themselves**, thereby simplifying compliance.

- **Recoverable input tax and tax evasion**

The Federal Decree-Law No. 8 of 2017 on VAT, as amended, provides from now on that the **recoverability of input VAT in the context of tax evasion** is as follows:

- **Mandatory disallowance:** The FTA will deny the deduction of input VAT if the supply is part of a transaction or chain of transactions linked to tax evasion and the taxable person was aware of this connection when claiming the deduction.
- **Discretionary disallowance:** The FTA may deny the deduction if, given the circumstances of the supply, the taxable person should have been aware of its relation to tax evasion. A taxable person is deemed “aware” if they failed to verify the validity and integrity of the supplies before deducting input tax, in line with the measures, procedures, and conditions set by the FTA.

- **Excess recoverable input tax**

In principle, the FTA **offsets any excess recoverable** tax against payable tax or administrative penalties, and taxable persons may apply to the FTA to **reclaim any remaining excess**.

However, under the amended Federal Decree-Law No. 8 of 2017 on VAT, **if no refund request is submitted after offsetting**, the remaining excess recoverable tax will be **carried forward for up to five years** from the end of the tax period in which it arose. **If it is neither claimed** through a refund request **nor used** to settle tax

liabilities within this timeframe, the right to recover the excess will lapse, and the amount **can no longer be refunded** or applied against future VAT obligations.

Conclusion

The amendments effective 1 January 2026 introduce **key changes** to refunds, credit use, audits, and binding FTA decisions. Taxable persons should **update internal processes** and **act promptly** to benefit from **transitional relief** and **ensure full compliance**.

Do you have any questions?



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