

ATOZ ALERT

UAE E-Invoicing 2026: What Businesses Need to Know About the New Framework, Timeline and Key Compliance Obligations

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The United Arab Emirates has officially entered the era of mandatory e-invoicing. In late 2025, the Ministry of Finances (“**MoF**”) issued [Ministerial Decision No. 243 of 2025](#) establishing the new electronic invoicing system (“**Decision No. 243**”) and [Ministerial Decision No. 244 of 2025](#) outlining its implementation (“**Decision No. 244**”). Together, these decisions introduce a modern, digital invoicing ecosystem designed to enhance real-time reporting, improve VAT compliance, and support the UAE’s broader digital transformation agenda.

At the same time, [Cabinet Decision No. 106 of 2025](#) introduced a comprehensive set of penalties for non-compliance, underscoring that e-invoicing will be a critical component of doing business in the UAE.

For many businesses, 2026 will be a decisive year for preparation. Below is what they need to understand and start planning for.

What is E-Invoicing?

E-invoicing refers to the digital issuance, transmission, and reporting of invoices and credit notes in a structured, machine-readable format. Under the UAE’s Decentralized Continuous Transaction Control and Exchange (DCTCE), also called the 5-corner model, businesses will have to transmit invoices via an Accredited Service Provider (“**ASP**”) using the Peppol network.

The ASP validates and securely transmits invoices while reporting the data to the Federal Tax Authority (“**FTA**”), providing the FTA with near real-time visibility for VAT compliance and tax monitoring.

Scope and Exclusions

The e-invoicing system (“**EIS**”) applies to any person conducting business in the UAE with respect to any transaction carried out in full or in part in the course of its business (i.e. business transactions), and not just to those registered for VAT. Exclusions may however apply for specific categories of persons or business transactions.

Under Decision No. 243, transactions such as VAT-exempt or zero-rated financial services, business-to-consumer (B2C) transactions¹, and certain international airline transactions are considered as excluded transactions. As a result, there is no exchange and reporting requirement for these transactions. Any other business transaction, as well as persons, may also be considered excluded by a decision issued by the Minister.

Notwithstanding these exclusions, a person may nevertheless choose to opt-in the EIS voluntarily. If they do, all EIS rules will apply except those related to violations and administrative penalties (see below).

Importantly, if a business does not fall within the mandatory scope of the EIS, it must still be e-invoicing compliant to receive e-invoices from suppliers who are within scope.

Key Obligations for Businesses

Businesses must comply with the following core obligations:

- **Electronic invoicing requirements: issuance, transmission and reporting**

Businesses must issue, transmit, and report electronic invoices and credit notes through the EIS.

- **Issuing and Sending:**
Businesses must issue and transmit electronic invoices and credit notes through the EIS.
 - For non-VAT registered businesses, this must be done within 14 days of the transaction date.
 - For VAT registered businesses, follow the VAT time of supply rules.
- **Reporting to FTA**
All electronic invoices and credit notes must be reported to the FTA within timelines prescribed.
- **Content requirements**
Electronic invoices and credit notes must include data fields and details specified by the MoF.
- **Self-billing**
Self-billing (where the recipient issues the electronic invoice on behalf of the issuer) is permitted², provided both parties are registered.

¹ Until later ministerial decision.

² Under the conditions set out in the VAT Executive Regulation or as otherwise determined by the Minister.

- **Appointment of an Accredited Service Provider (ASP)**

- Appointment

- Both issuers and recipients must appoint an ASP to fulfil their obligations based on the MoF accreditation list³.

- Notification

- Businesses must notify the appointed ASP of changes to the data registered within 5 business days of confirmation of the amendments by the FTA.

- **Storage and system failure**

- Storage

- All electronic invoices, credit notes, and related data must be stored within the UAE as per the Tax Procedures Law.

- Failure report

- Any system failure must be reported to the FTA within two business days.

Implementation Timeline: 2026 is the Year to Prepare

The rollout will begin with a pilot program on. Starting 1 January 2027, large businesses will be required to adopt the system, with subsequent deadlines for smaller businesses.

- **Pilot and voluntary implementation**

Starting 1 July 2026, a pilot program will allow selected businesses to test the EIS under the supervision of the FTA. From the same date, other businesses may also adopt the system on a voluntarily basis.

This is a strategic opportunity for businesses to test their systems, identify gaps and minimise disruption before deadlines.

- **Mandatory phases**

The mandatory phases are structured in various phases based notably on revenue:

Group Subject to EIS	Revenue Threshold	ASP Appointment Deadline	Implementation Deadline
Phase 1: Large Entities	≥ AED 50 million	31 July 2026	1 January 2027
Phase 2: Smaller Entities	< AED 50 million	31 March 2027	1 July 2027
Phase 3: Government Entities	/	31 March 2027	1 October 2027

³ Selected from the [list published by the Ministry](#) under [Ministerial Decision No. 64 of 2025](#) on the eligibility criteria and Accreditation procedure for Service Providers under the Electronic Invoicing System.

Preparing for the Transition: What Businesses Should Start Doing Now?

Early preparation is essential. Achieving compliance requires coordinated work across finance, tax, IT and operations.

- **Perform an impact analysis and gap assessment**
To successfully transition to e-invoicing, businesses need a solid understanding of how the new framework will impact their operations. Begin by reviewing your existing systems, processes, and data to identify any gaps that require attention.
- **Assess your accounting software environment**
Businesses must evaluate whether their current systems can generate and receive compliant electronic invoices. This may involve activating add-on modules provided by existing software vendors, require integrating specialized e-invoicing middleware or implementing more sophisticated ERP connectivity. The objective is to ensure that the data produced is technically compliant and will not be rejected by the ASP.
- **Review internal processes**
E-invoicing is not merely a technical change; it reshapes operational practices. Businesses must review their invoicing practices to align with the new approach. In many other jurisdictions, this transformation has led to streamlined document workflows and improved efficiency, an opportunity that businesses in the UAE can also leverage.
- **Ensure the quality and completeness of your data**
Accurate master data is critical for successful e-invoicing. Businesses should take time to verify and enrich customer and supplier information to prevent errors that could lead to invoice rejection.
- **Select an ASP**
The ASP will validate invoices to ensure they meet the required structured format, transmit them securely over the Peppol network to the buyer, and report the related tax data.
- **Train staff and communicate internally**
Successful rollout requires readiness across both systems and people. Finance, billing, procurement and VAT teams must understand the upcoming changes. This should be supported by clear communication, targeted training and updated internal procedures to ensure a smooth transition when the mandatory phases begin.

Penalties for non-compliance

Under [Cabinet Decision No. 106 of 2025](#) penalties apply to businesses required to use the EIS if they fail to comply. These penalties do **not** apply to businesses that join the system voluntarily.

Key Penalties:

- Failure by the issuer to implement the EIS, including failure to appoint an ASP within the prescribed deadline, results in a penalty of **AED 5,000 per month** or part thereof.
- Failure by the issuer to issue and transmit electronic invoices or electronic credit notes within the required timeline is subject to **AED 100 per document**, capped at AED 5,000 per calendar month.

- Failure by the issuer or the recipient to notify the FTA of a system failure within the prescribed timeline triggers a penalty of **AED 1,000 for each day** of delay.
- Failure by the issuer or the recipient to notify the appointed ASP of changes to the data registered with the FTA within the prescribed timeline results in a penalty of **AED 1,000 for each day** of delay.

Beyond financial penalties, non-compliance may jeopardise a business's ability to recover input VAT, especially if supplier e-invoices cannot be properly received or validated.

Conclusion

Although mandatory implementation begins in 2027, businesses should use 2026 to get ready. The transition requires time to implement the necessary technical upgrades, redesign internal processes, train staff and select an ASP. Starting early reduces compliance risks, improves efficiency, and ensures smooth operations under the new digital tax framework.

We recommend businesses initiate their e-invoicing readiness assessment based on a tailored step-plan as early as possible in 2026 to secure a successful transition to this major regulatory change.

Do you have any questions?



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