



ATOZ ALERT

UAE e-invoicing update: What businesses need to know now

27 February 2026

On 23 February 2026, the UAE Ministry of Finance issued comprehensive operational guidance implementing Ministerial Decisions No. 243, 244 and 64 of 2025 and Cabinet Decision No. 106 of 2025¹, formally moving the UAE's e-Invoicing System ("EIS") from high-level legislation to detailed technical execution.

These new releases provide further guidance on the scope, identification requirements, data standards, exclusions and timelines that will apply shortly to all businesses operating in the UAE.

With these releases, e-invoicing has moved from law to practice. Beyond technical compliance, the shift marks a fundamental change in how organisations will operate: e-invoicing is set to reshape finance processes end-to-end, becoming a structured tax-reporting dataset rather than a simple digital invoice – and creating new expectations for data accuracy, governance and operational readiness across the entire business.

Who is affected?

- **UAE businesses** engaged in B2B or B2G transactions must comply with e-invoicing mandates.
- **All sectors:** industrial, commercial, services, real estate, banking and insurance, intra-group recharges, etc.
- **Limited exclusions apply:** VAT exempt financial services, imports of concerned goods and/or concerned services, certain airlines transactions, and sovereign government activities.

¹ For more information on Ministerial Decision No. 243 and 244 of 2025 and Cabinet Decision No. 106 of 2025, please read our ATOZ Alert: [UAE E-Invoicing 2026: What Businesses Need to Know About the New Framework, Timeline and Key Compliance Obligations](#)

Our recommendation: For businesses engaged in out-of-scope transactions – such as VAT-exempt financial services – there is an additional layer of complexity that should not be overlooked. In particular, careful consideration must be given to whether a transaction genuinely falls outside the scope of mandatory e-invoicing requirements. If a business that has treated its activities as VAT-exempt is later deemed by the Federal Tax Authority (“FTA”) to be wholly or partially taxable, the consequences may be twofold. First, VAT could become due on the relevant transactions, together with the usual financial penalties. Second, the business could simultaneously fall within the scope of e-invoicing obligations, thereby becoming exposed to a separate set of compliance requirements and associated penalties. This double exposure should not be underestimated – especially by the asset management industry, where the VAT exemption for the management of investment funds may in some cases be subject to nuanced interpretation.

More broadly, the transition to e-invoicing underscores the importance for businesses of conducting a comprehensive VAT health check to ensure both technical compliance and correct treatment of their transactions.

More structured invoice requirement content

Invoices will now require system-driven transaction classification. Businesses must ensure their systems can apply the correct tax code, with mandatory flags embedded directly in the data. For example, there are specific requirements in terms of mandatory fields and issuance criteria for Free Zone, deemed supplies, margin scheme, summary invoices, continuous supplies, agent billing, e-commerce and exports.

The new e-invoicing regime requires businesses to ensure enhanced accuracy in a harmonised way at the moment an invoice is issued, eliminating downstream interpretation. This drives immediate upgrades in data quality and system controls.

Our recommendation: As e-invoicing evolves into a structured tax-reporting dataset rather than a simple digital invoice, organisations should act now to reinforce governance, streamline invoicing processes, and ensure systems are fully equipped to deliver accurate, compliant data from day one. This is particularly important because the issuer bears full legal accountability for invoice accuracy.

While temporary fallback options are available for limited cases – such as transactions occurring within a VAT Group – these measures are short-lived and do not remove the underlying compliance obligations.

What is the Implementation Timeline?

As a reminder, and as outlined in [our previous newsletter](#), large businesses will be required to adopt the EIS from 1 January 2027, followed by subsequent deadlines for smaller businesses.

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

Our recommendation: The first key milestone is the appointment of an ASP. This decision should not be taken lightly. Beyond the obvious legal and contractual considerations, selecting the right ASP is closely linked to the company's IT environment and its readiness to meet its new obligations. Before appointing an ASP, the business should therefore conduct a thorough analysis and gap assessment. From a strategic perspective, the outcome of this assessment may, in some cases, require significant changes to the existing software architecture. For that reason, companies should treat this analysis as a priority. This goes beyond a mere VAT compliance issue. The process should begin by clearly identifying the internal owner of the project, if this has not already been determined.

Do you have any questions?



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