

UAE VAT

Compliance Kit 2026

Your step-by-step rescue guide for the 31 December 2026 credit deadline

Federal Decree-Law No. 16 of 2025 | Federal Decree-Law No. 17 of 2025

EmaraTax Refund Process | RCM Documentation | Credit Ageing Tracker

Published by The Tax Athlete | thetaxathlete.com | May 2026

THE TAX ATHLETE | Indirect Tax from the Inside

IMPORTANT DISCLAIMER

This kit is produced by The Tax Athlete for general reference and educational purposes only. It does not constitute legal, accounting, or tax advice. The information reflects publicly available guidance as of May 2026 based on Federal Decree-Law No. 16 of 2025, Federal Decree-Law No. 17 of 2025, and related FTA publications. Laws and FTA interpretations can change. Before taking any action on a VAT refund, voluntary disclosure, or compliance position, consult a qualified UAE tax professional registered with the FTA. The Tax Athlete accepts no liability for decisions made based on the contents of this document.

WHAT IS IN THIS KIT

| | | |
|-------------------|---|-----------|
| Section 1 | The 2026 Rule Change — What You Need to Know | 3 |
| Section 2 | Credit Ageing Analysis — Measure Your Exposure | 4 |
| Section 3 | The 31 December 2026 Deadline Explained | 5 |
| Section 4 | The RCM Documentation Trap | 6 |
| Section 5 | Step-by-Step: Filing Your EmaraTax Refund Claim | 7 |
| Section 6 | VAT and Corporate Tax: The Double-Hit Risk | 8 |
| Section 7 | Master Checklist — Pre-Submission Review | 9 |
| Section 8 | Post-2026 VAT Management Playbook | 10 |
| Appendix A | Credit Ageing Tracker Template | 11 |
| Appendix B | Refund Evidence Folder Checklist | 12 |
| Appendix C | Key Sources and Official References | 13 |

SECTION 1 | THE 2026 RULE CHANGE

Two laws. One deadline. Everything you assumed about carrying forward VAT credits no longer applies.

The Five-Year Carry-Forward Limit

For the first seven years of UAE VAT, there was no hard expiry date on a credit balance. If you paid more VAT on purchases and imports than you collected from customers, that surplus sat in your Emaratax account indefinitely. Businesses treated it as a permanent safety net.

Federal Decree-Law No. 16 of 2025 closed that window. Under the amended Article 74(3) of the UAE VAT Law, effective 1 January 2026, excess recoverable VAT may be carried forward for a maximum of five years from the end of the tax period in which it arose. After that, the right to recover it lapses permanently — it cannot be refunded, and it cannot be used to offset future VAT liabilities.

The Tax Procedures Law Alignment

Federal Decree-Law No. 17 of 2025 simultaneously rewrote the Tax Procedures Law to create a unified five-year limitation period across all federal taxes — VAT, Corporate Tax, and Excise Tax. This is the legal basis for the transitional window covering 2018-2020 credits.

The RCM Simplification

From 1 January 2026, businesses no longer need to issue a Self-Invoice for Reverse Charge Mechanism (RCM) transactions — importing services such as software licences or foreign consulting. You simply retain the original supplier invoice. This removes administrative burden but does not change what was required in prior years (see Section 4).

| Law | What It Changed | Effective |
|--|--|------------|
| Federal Decree-Law No. 16 of 2025 | Amended Article 74(3) — five-year cap on VAT credit carry-forward; removed RCM self-invoice requirement | 1 Jan 2026 |
| Federal Decree-Law No. 17 of 2025 | Rewrote Tax Procedures Law — unified five-year limitation for all tax refunds; transitional window for 2018-2020 credits until 31 Dec 2026 | 1 Jan 2026 |

SECTION 2 | CREDIT AGEING ANALYSIS

You cannot rescue a credit you have not located. Run this analysis before anything else.

Step 1 — Export Your EmaraTax Ledger

Log into the EmaraTax portal. Navigate to your Taxable Person account. Export the full VAT transaction ledger from 1 January 2018 to the present date. Save it as a spreadsheet.

Step 2 — Apply the FIFO Principle

The FTA generally applies credits on a First-In, First-Out basis. If your business has been in a continuous credit position since 2018, the oldest balance is the one most at risk of expiry. Identify the earliest tax period in which a credit arose and trace how much of that original surplus remains unconsumed.

Step 3 — Categorise by Urgency

| Tax Period | Status | Deadline | Action |
|--------------|----------------|------------------------------------|--|
| 2018 to 2020 | URGENT | 31 Dec 2026 | File refund claim or offset against current VAT liability immediately |
| Jan–Dec 2021 | ACT NOW | Q1–Q4 2026 (rolling by quarter) | Five-year window expires quarter by quarter during 2026 — do not wait for December |
| 2022 onward | MONITOR | 2027 onward | Safe under rolling five-year rule — set annual calendar reminders |

CRITICAL NOTE

CRITICAL NOTE: The 2021 credit band is NOT covered by the 31 Dec 2026 transitional window. Q1 2021 credits expire in Q1 2026. If you are in this band, act immediately — not in December.

SECTION 3 | THE 31 DECEMBER 2026 DEADLINE

Why you cannot afford to wait — and what a late submission actually costs you.

KEY DEADLINE — 31 DECEMBER 2026

Any VAT credit from a tax period ending in 2018, 2019, or 2020 that has not been the subject of a refund application or used to offset a VAT liability by 31 December 2026 will lapse permanently under UAE law. There is no further extension, no appeal, and no mechanism to recover the amount after that date.

Why May 2026 Is the Right Time to Act

- **The queue problem:** Every VAT-registered business faces the same deadline. By October and November 2026, the Emaratax refund queue will be under severe pressure. A claim submitted in May or June moves through the system before the year-end rush.
- **The document gap:** A 2018 credit refund requires the original 2018 tax invoice. That document is now eight years old. If you start in May and discover a missing invoice, you have time to contact the vendor. If you start in November, that vendor may no longer be in business.
- **The reconsideration window:** If the FTA rejects your claim for a technical reason (bank account name mismatch, entity status discrepancy), you have the right to file a Reconsideration Request. That process takes time. Starting now gives you the calendar runway to fight a bad decision and still recover the credit.
- **Audit exposure on late claims:** Under the amended Tax Procedures Law, claims submitted close to the five-year deadline attract extended FTA audit scrutiny. A clean, well-documented claim filed early is reviewed with less friction than a last-minute high-value submission in December.

What 'Acting' Actually Means

You preserve your rights by either (a) filing a formal refund application through Emaratax, or (b) using the credit to offset an actual VAT liability in the same period. Simply having the balance sit in the portal does not count. The FTA will not push the refund to you automatically. You must initiate the process.

SECTION 4 | THE RCM DOCUMENTATION TRAP

The 2026 self-invoice removal does not travel backwards. Know what the FTA will ask for.

The 2026 Change

From 1 January 2026, businesses importing services under the Reverse Charge Mechanism no longer need to issue a Self-Invoice to themselves. Retaining the original supplier invoice and supporting documents is sufficient. This removes a real administrative burden — but it creates a trap for businesses claiming historical refunds.

The Trap: Historical Claims Remain Subject to Historical Rules

If your 2019 or 2020 VAT credit includes input tax from RCM transactions (imported software licences, foreign consulting fees, digital services from overseas providers), the FTA will audit those transactions under the rules that applied in 2019 and 2020 — when the Self-Invoice requirement was mandatory. The 2026 simplification does not apply retrospectively.

What to Check Before Filing

- Identify all RCM transactions in your 2018-2020 VAT returns
- Confirm that a Self-Invoice was issued for each transaction at the time
- Locate those Self-Invoices in your document archive
- If Self-Invoices are missing for material amounts, take professional advice before filing
- Do not assume the FTA will accept a reconstructed or backdated Self-Invoice

WARNING

Missing historical Self-Invoices for 2019 or 2020 RCM transactions put the input tax component of your refund at risk. Resolve this before submission — not after.

SECTION 5 | FILING YOUR EMARATAX REFUND CLAIM

The technical process — step by step.

Pre-Submission Checks — Do These First

1

Verify Taxable Person Details

Ensure your Trade License is current, your registered address is correct, and your entity name on the FTA system matches your current legal name. A status mismatch will put the application into indefinite 'Pending' status.

2

Bank Account Verification

The bank account linked to the FTA portal must be a corporate account held in the exact legal name of the registered entity. Personal accounts, trading name accounts, or accounts opened under a former company name will cause the refund to fail. This is the single most common cause of refund delays in the UAE.

3

Voluntary Disclosure Check

If your credit review reveals an error in a past VAT return — an overstated input tax claim, a mis-classified supply — file a Voluntary Disclosure before submitting the refund. Filing a refund on top of an unresolved error is a compliance risk.

4

Outstanding Returns

Ensure all VAT returns up to the current period have been filed. The FTA will not process a refund application while outstanding returns exist on your account.

The Evidence Folder

When you apply for a refund in EmaraTax, you must upload supporting documents. A single invoice is not sufficient for a material claim. Build a dedicated Refund Folder containing all of the following:

| Document | Purpose | Required? |
|--|---|---------------|
| VAT return-to-ledger reconciliation spreadsheet | Proves the credit balance per return matches the EmaraTax ledger | Yes |
| Top 10 largest invoices contributing to the credit | Primary evidentiary support for input tax claimed | Yes |
| Proof of payment (bank statements or SWIFT copies) | Confirms the underlying transactions were real and settled | Yes |
| Customs declarations or import documents | Required if credit relates to imported goods | If applicable |
| Self-Invoices for 2018-2020 RCM transactions | Mandatory documentation under the rules that applied at that time | If applicable |
| Updated Trade License copy | Confirms current entity status | Recommended |

The FTA's service standard is up to 20 business days for initial review of clean applications. High-value or late-submitted claims may attract extended scrutiny under the amended Tax Procedures Law.

SECTION 6 | VAT AND CORPORATE TAX: THE DOUBLE-HIT

Can you write off a lost VAT credit against Corporate Tax? The answer is more complex than most assume.

The Assumption Most Businesses Make

A common assumption is that if a VAT credit lapses, the financial loss can at least be deducted from Corporate Tax income — reducing the 9% liability. After all, it is a real cash loss to the business.

The Legal Reality

Under UAE Corporate Tax, recoverable VAT is treated as a government asset — effectively a receivable owed to the business by the FTA. It is not treated as a cost or expense. This means that while VAT you are permanently unable to recover (for example, input tax on exempt supplies) can potentially be treated as a deductible business cost, the treatment of a credit that lapses solely because a deadline was missed is legally unsettled. The FTA has not issued specific guidance on forfeited credits at the time of publication.

The Prudent Position

The conservative and prudent approach is to assume that no Corporate Tax deduction is available for a VAT credit lost through a missed deadline. This means:

- The cash is lost entirely — it cannot be refunded
- No 9% Corporate Tax relief offsets the loss
- The full amount is a permanent reduction in business capital
- The loss is not deductible as a bad debt, penalty, or business expense without specific professional advice and FTA guidance

PROFESSIONAL ADVICE REQUIRED

If you believe a forfeited credit has a strong case for Corporate Tax deductibility in your specific circumstances, that conversation must happen with a qualified UAE Corporate Tax advisor before you make any accounting entries. Do not assume deductibility.

The Key Interaction to Watch

Ensure your VAT returns and Corporate Tax returns are internally consistent. The FTA's audit selection system uses data analytics to cross-verify these filings. Discrepancies between reported VAT figures and Corporate Tax income create audit triggers that are far more costly to resolve than a well-managed refund application.

SECTION 7 | MASTER CHECKLIST — PRE-SUBMISSION REVIEW

Complete every item on this list before clicking Submit in EmaraTax.

CREDIT AGEING ANALYSIS

- Exported full EmaraTax VAT ledger from 1 Jan 2018 to present
- Applied FIFO principle to identify oldest credit balances
- Categorised credits into 2018-2020 (urgent), 2021 (rolling), 2022+ (monitor)
- Calculated exact AED value of credits at risk under 31 Dec 2026 deadline
- Identified Q-by-Q expiry dates for any 2021 credit balances

ENTITY AND PORTAL READINESS

- Trade License is current and valid
- Registered address on EmaraTax matches current business address
- Entity name on FTA system matches current legal name exactly
- Corporate bank account linked to FTA portal is in the exact legal entity name
- No outstanding VAT returns from any period
- No pending Voluntary Disclosures that should be resolved before filing

DOCUMENTATION — GENERAL

- VAT return-to-ledger reconciliation spreadsheet prepared for the claim period
- Top 10 largest invoices contributing to the credit collected and labelled
- Bank statements or SWIFT copies confirming payment of those invoices
- Customs declarations retrieved for any import-related input tax
- All documents saved in a single labelled Refund Folder (digital preferred)

DOCUMENTATION — RCM SPECIFIC (2018-2020)

- Identified all RCM transactions in 2018-2020 VAT returns
- Located Self-Invoices issued at time of each RCM transaction
- Confirmed Self-Invoices match the values declared in VAT returns
- If Self-Invoices are missing: sought professional advice before proceeding

POST-SUBMISSION

- Noted EmaraTax submission reference number
- Diarised 20-business-day review period for FTA response
- Confirmed process for Reconsideration Request if initial claim is rejected
- Set up VAT ageing reminder in accounting calendar for ongoing monitoring

SECTION 8 | POST-2026 VAT MANAGEMENT PLAYBOOK

Once the rescue mission is complete, here is how to manage VAT so this never happens again.

1 Monthly Ageing Reviews

Add a VAT credit ageing check to your monthly management accounts. If a credit has been untouched for more than 12 months, that is a question that needs answering — not a balance you carry forward silently. The healthy target is a VAT position as close to zero as possible, either through regular offset or quarterly refund applications if you are structurally in a credit position.

2 Cloud-Based Document Archiving

The 2026 situation exposed a genuine weakness in many businesses: the inability to find an eight-year-old invoice in under five minutes. Migrate your tax documentation to a cloud-based system with proper tagging, searchability, and automatic retention policies. The FTA will not accept 'we cannot locate the invoice' as justification for a failed refund claim.

3 Supplier Due Diligence

From 1 January 2026, the FTA has the authority to deny input tax recovery if a transaction is linked to tax evasion and the buyer knew or should have known. Implement a basic supplier vetting process: verify Tax Registration Numbers (TRNs), check that VAT is being charged correctly, and document your checks. Ignorance of supplier conduct is no longer a complete defence.

4 Rolling Five-Year Calendar

Set recurring calendar reminders for each tax period as it approaches its five-year mark. A Q1 2022 credit will need action by Q1 2027. A Q3 2022 credit by Q3 2027. The five-year rule is now a permanent feature of UAE VAT — build it into your compliance calendar permanently.

5 VAT and Corporate Tax Reconciliation

Run a quarterly cross-check between your VAT returns and your Corporate Tax records. Discrepancies between these two filings are one of the primary audit triggers in the FTA's risk-based selection system. Consistent, reconciled filings across both taxes substantially reduce your audit exposure.

APPENDIX A | CREDIT AGEING TRACKER TEMPLATE

Copy this structure into your spreadsheet. Update monthly.

| Tax Period (Month/Qtr) | VAT Return Reference | Credit Arose (AED) | Amount Consumed | Balance Remaining | 5-Yr Expiry Date | Action Required | Action Taken |
|------------------------|----------------------|--------------------|-----------------|-------------------|------------------|-----------------|--------------|
| Jan 2018 | | | | | Dec 2026 | FILE NOW | |
| Feb 2018 | | | | | Dec 2026 | FILE NOW | |
| Mar 2018 | | | | | Dec 2026 | FILE NOW | |
| Q2 2018 | | | | | Dec 2026 | FILE NOW | |
| Q3 2018 | | | | | Dec 2026 | FILE NOW | |
| Q4 2018 | | | | | Dec 2026 | FILE NOW | |
| Q1 2019 | | | | | Dec 2026 | FILE NOW | |
| Q2 2019 | | | | | Dec 2026 | FILE NOW | |

Fill in the Credit Arose, Amount Consumed, and Balance Remaining columns from your EmaraTax ledger export. The 5-Year Expiry Date is calculated as five years from the end of the tax period in which the credit arose. Update the Action Taken column each time a refund is filed or a liability is offset.

APPENDIX B | REFUND EVIDENCE FOLDER CHECKLIST

Compile this folder before accessing the EmaraTax refund application portal.

| Item | Description | Status |
|---|--|--|
| 1. Reconciliation Spreadsheet | Maps each VAT return in the claim period to the corresponding EmaraTax ledger entry. Proves the credit balance is consistent across both records. | ■ Ready ■ In progress ■ Not started |
| 2. Top 10 Input Tax Invoices | The ten largest invoices contributing to the credit. Each must show supplier TRN, VAT charged, date, and buyer's name matching the FTA registration. | ■ Ready ■ In progress ■ Not started |
| 3. Payment Proof | Bank statements or SWIFT confirmations showing the invoices in item 2 were paid. Date of payment and amount must match the invoice. | ■ Ready ■ In progress ■ Not started |
| 4. Customs Declarations | For any credit arising from imported goods, include the relevant Customs declarations confirming VAT was paid at the border. | ■ Ready ■ N/A — no imports |
| 5. RCM Self-Invoices (2018-2020 only) | Self-Invoices issued at the time of RCM transactions in 2018-2020. These were a legal requirement at that time. Missing documents put this portion of the claim at risk. | ■ Ready ■ N/A — no RCM ■ Missing — seek advice |
| 6. Trade License Copy | Current, valid Trade License. Entity name must match the EmaraTax registration and the bank account linked to the FTA portal. | ■ Ready ■ In progress ■ Not started |
| 7. Corporate Bank Account Confirmation | Bank letter or account statement confirming the corporate account name and IBAN linked to the FTA portal. Name must match entity registration exactly. | ■ Ready ■ In progress ■ Not started |

APPENDIX C | KEY SOURCES AND OFFICIAL REFERENCES

All facts in this kit are drawn from publicly available, verified sources as of May 2026.

| | |
|------------------------------|---|
| Primary Legislation | Federal Decree-Law No. 16 of 2025 — Amending Federal Decree-Law No. 8 of 2017 on VAT. Issued by the Ministry of Finance, 25 November 2025. Effective 1 January 2026. Source: mof.gov.ae |
| Primary Legislation | Federal Decree-Law No. 17 of 2025 — Amending the Tax Procedures Law. Issued by the Ministry of Finance, 25 November 2025. Effective 1 January 2026. Source: mof.gov.ae |
| Professional Analysis | KPMG UAE — Federal Decree-Law No. 16 and No. 17 of 2025: Key Changes (November 2025). kpmg.com/ae |
| Professional Analysis | DLA Piper — UAE Announces Amendments to VAT Law Effective 1 January 2026 (December 2025). dlapiper.com |
| Professional Analysis | PwC Middle East — Significant Legislative Updates: Tax Procedures, VAT, and Excise Tax Laws (November 2025). pwc.com/m1 |
| News Source | The National — These Are the Tax Changes Coming Up in the UAE in 2026 (December 2025). thenationalnews.com |
| Technical Reference | ClearTax UAE — New VAT Rules in UAE 2026: Amendments, Reverse Charge, and Deadlines (April 2026). cleartax.com/ae |

This kit was prepared by The Tax Athlete (thetaxathlete.com), a personal finance and indirect tax blog by a backend indirect tax professional. It is provided for educational reference only and does not constitute professional advice. Always verify current FTA guidance before taking action. Laws change.