



UAE Tax Alert

Input VAT Recovery

Key Updates: New FTA Decision No. 17 of 2026 on
Recovering Input VAT on Employee Expenses
(**Effective 1 October 2026**)

October
2026

» Executive Summary

The FTA published **Decision No. 17 of 2026**, which takes effect on **1 October 2026**. This decision provides long-awaited clarity regarding the specific cases and strict conditions under which a Taxable Person can recover input VAT incurred on goods and services provided to employees free of charge (under Article 53(1)(c)(2) of the VAT Executive Regulations).

Historically, input tax on employee expenses was strictly non-recoverable unless provided under a statutory legal obligation.

Decision No. 17 of 2026 formalizes (6) specific operational scenarios where Input VAT **can now be recovered**, provided that **all prescribed conditions are met and supported by documented policies**.

SCOPE AND EFFECT

Below is a structured summary of the decision and key takeaways:

Core Scope & Legal Mandate

Taxable persons may recover or deduct Input Tax incurred on goods or services provided to employees free of charge under a contractual obligation or documented policy, subject to satisfying all specific conditions across the (6) designated cases below:

1. Employee Transportation Expenses

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ Transportation is strictly provided between the employee's residence and **workplace, to clients' premises**, or for purposes **directly related to job duties**.
- ✓ The service is **not** used for personal benefit.
- ✓ The employee cannot opt to receive a cash allowance or financial compensation in lieu of the service.

2. Food & Beverage Expenses

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ The employee's residence is in a remote, distant, or isolated area.
- ✓ Appropriate food preparation facilities are unavailable at the workplace or residence, and no nearby restaurants/facilities are easily accessible.

SCOPE AND EFFECT

2. Food & Beverage Expenses (continued)

- ✓ Provision is directly linked to the required work or residence period.
- ✓ The employee cannot opt to receive a cash allowance in lieu of the food and beverages provided.

3. Ordinary Accommodation / Place of Residence

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ The employee **cannot opt to receive a cash allowance** or financial compensation in lieu of the accommodation.
- ✓ Provision is driven by operational work requirements and does not form part of ordinary employee compensation or benefits.
- ✓ Work nature/requirements necessitate residing near the workplace, site, or client location.
- ✓ Accommodation is designated exclusively for the employee (excluding family members or personal use), unless permanent residence near the workplace is required as their usual residence.
- ✓ Accommodation is fit with job requirements and basic needs, **without significant recreational or personal elements** going beyond work purposes.

SCOPE

AND EFFECT

4. Temporary Accommodation for New Employees

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ The accommodation is provided temporarily for a period **not exceeding 30 days**.
- ✓ The accommodation provided is in proportion to job requirements and **basic residency needs**.

5. Mobile Phones, Airtime, Data, and Home Internet (Modem/Router)

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ Goods/services are necessary for performing job duties (**including outside normal hours or remote work**).
- ✓ The use of the aforementioned Goods and Services is limited to **work purposes**; any personal use must be **incidental, insignificant**, and not the primary purpose.
- ✓ The employer maintains a **documented internal policy** defining permissible scope and consequences for unauthorized use.
- ✓ The employer enforces reasonable **monitoring mechanisms to track compliance**, maintaining relevant records and justifications for any unauthorized use.

SCOPE AND EFFECT

6. Employee Parking Fees

Input Tax is recoverable provided that **all** of the following conditions are met:

- ✓ The parking fees are **incurred solely for business purposes** directly tied to performing job duties, business visits, or assignments.
- ✓ The employer enforces a **documented internal reimbursement policy** and approval mechanism.
- ✓ Supporting **receipts/documents** proving payment (showing date, time, fee amount, and VAT paid) are retained.

RECOMMENDED ACTION ITEMS

By 1 October 2026:

1



HR & Travel Policy Review

Audit existing employee's handbook and contracts to remove options for "cash in lieu" where company benefits (transport/housing) are provided.

2



Maintain Internal IT & Expenses Policies:

Implement written policies covering mobile phone usage, remote internet, and parking fee reimbursements.

3



ERP & Accounting Setup:

Ensure your finance team updates tax code mappings so that input VAT on these categories **is claimed only when all qualifying criteria are satisfied.**

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