



**Tax Alert on new  
Amendments to the UAE  
Tax Procedures Law  
Effective 1 January 2026**



## UAE Issues Comprehensive Amendments to the Tax Procedures Law – Effective 1 January 2026

*Based on Federal Decree-Law No. 28 of 2022 and its Amendments (2024 & 2025)*

The UAE has issued significant amendments to the Tax Procedures Law through Federal Decree-Law No. 17 of 2024 and Federal Decree-Law No. 17 of 2025. These reforms represent a major enhancement of the UAE tax administration framework, focusing on digital transformation, procedural clarity, enhanced audit controls, and strengthened enforcement.

The amendments impact all businesses across the UAE and require immediate reassessment of tax governance, ERP systems, record-keeping, and compliance processes.

*In our current tax alert, we are primarily highlighting these amendments & comparing with previous regulations*

## 1. Introduction of the Electronic Invoicing System

A new legal definition of the Electronic Invoicing System has been introduced, giving the Minister of Finance the authority to issue detailed rules, applicability criteria, implementation timelines, and compliance requirements.

### Summary – Electronic Invoicing

| Topic               | Before Amendments | After Amendments   |
|---------------------|-------------------|--|
| Legal Framework     | Not defined       | Full legal mandate introduced                            |
| Applicability       | Not specified     | Minister to determine categories of taxpayers            |
| Start Date          | No framework      | To be announced by Minister                              |
| System Requirements | No controls       | Technical, functional & procedural controls to be issued |

*This is a foundational step toward mandatory e-invoicing, aligning UAE with GCC and global digital tax models.*

## 2. Strengthened Voluntary Disclosure (VD) Framework

The VD mechanism has been redesigned to provide clearer guidance on when and how businesses must correct errors.

### Summary – Voluntary Disclosure Enhancements

| Area                             | Previous Rules | Updated Rules                             |
|----------------------------------|----------------|---|
| VD for understatement of tax     | Required       | Mandatory                                 |
| VD for overstatement of refunds  | Required       | Mandatory                                 |
| VD for overpayments / excess tax | Allowed        | Optional                                  |
| VD for non-tax-impact errors     | Not explicit   | Required if FTA specifies                 |
| Impact on Audit Window           | Not defined    | VD in 5th year extends FTA's audit rights |

*This encourages early correction and reduces the risk of penalties and disputes.*

### 3. Expanded FTA Audit Powers

The FTA's authority to conduct tax audits has been significantly strengthened.

#### Audit Power Comparison

| Area               | Previous Position  | New Position   |
|--------------------|--------------------|--|
| Notice Period      | Generally required | 10-business-day notice still applies                                   |
| Unannounced Entry  | Limited            | Allowed in specific cases: evasion, obstruction, risk of evidence loss |
| Premises Sealing   | Not detailed       | FTA may seal premises for up to 72 hours                               |
| Authority Required | Informal           | Director General (and Public Prosecutor for residences)                |
| Scope of Audit     | Financial records  | Includes electronic, physical, and third-party records                 |

***This shifts the UAE toward a more active tax audit environment.***

### 4. Updated Tax Assessment & Penalty Assessment Procedures

The amendments introduce precise deadlines for the FTA to notify assessments.

| Type of Assessment | Previous Timeline  | New Timeline                        |
|--------------------|--------------------|-------------------------------------|
| Tax Assessment     | No strict deadline | Must notify within 10 business days |
| Penalty Assessment | No strict deadline | Must notify within 5 business days  |
| Penalty Cap        | Varied             | Capped at 2× the tax amount         |

***These timelines improve transparency and legal certainty for taxpayers.***

## 5. Mandatory Refund Deadlines + Transitional Relief (2026)

For the first time, statutory deadlines for refund applications have been introduced.

### Refund Submission Windows

| Scenario  | Deadline                                  |
|---|---|
| Standard refund applications                          | Within 5 years from end of the tax period |
| Refund arising from FTA decision issued after 5 years | Within 1 year                             |
| Refund claim delayed for other reasons                | Within 90 days                            |

### Transitional Rule – 2026

| What It Covers                       | Deadline            | Importance  |
|--------------------------------------|---------------------|---|
| Old credit balances from prior years | 1 Jan – 31 Dec 2026 | One-time opportunity to recover historic balances |

**Businesses should evaluate all legacy VAT/CT/Excise credit balances before year-end 2025 to benefit from this window.**

## 6. Revised Statute of Limitations (SOL)

The UAE has retained the 5-year general SOL but introduced specific extensions.

### Statute of Limitations Overview

| Case                         | Revised Limitation Period              |
|------------------------------|--|
| Normal tax periods           | 5 years                                |
| Audit notified in 5 years    | +4 years (total window: up to 9 years) |
| VD submitted in 5th year     | +1 year                                |
| Refund requested in 5th year | +2 years                               |
| Tax evasion                  | 15 years                               |
| Failure to register          | 15 years                               |
| VD allowed after 5 years     | No, unless related to pending refund   |

**This significantly increases the period for which taxpayers must retain records and maintain audit readiness.**

## 7. Strengthened Criminal & Administrative Penalties

The UAE has reinforced penalties to support accurate reporting and deter misconduct.

### Penalty Highlights

| Violation Type  | Penalty                                      |
|---|--|
| Tax evasion   | Imprisonment + 100%–300% of tax              |
| Destroying/hiding records, false documents, obstruction | Up to AED 1 million + imprisonment           |
| Repeat offences   | Aggravated penalties                         |
| Failure to cooperate during audit                       | Penalty from taxpayer's or agent's own funds |

*These provisions demonstrate a stricter enforcement posture consistent with international tax administration standards.*

## 8. Binding FTA Directives Introduced

The new Article (54 bis) allows the FTA to issue binding directives that interpret or clarify tax treatments.

| Feature                 | Impact                             |
|-------------------------|------------------------------------|
| Binding on taxpayers    | Ensures consistent application     |
| Binding on FTA          | Reduces disputes                   |
| Clarifies grey areas    | More certainty in compliance       |
| Improves predictability | Helps tax planning and structuring |

*This is a positive step toward improved legal certainty.*

## 9. What Businesses Should Do Now

Given the breadth of these amendments, businesses should proactively strengthen their tax governance frameworks.

### Recommended Actions

| Priority Area         | Actions Required   |
|-----------------------|--|
| E-invoicing readiness | Review ERP/finance systems, assess integration needs, prepare data workflows |
| Tax Health Check      | Identify potential VD exposures before deadlines                             |
| Refund Review         | Evaluate historic credit balances for 2026 transitional filings              |
| Audit Preparedness    | Organize and archive tax records; prepare an audit readiness file            |
| Internal Controls     | Ensure Arabic documentation and timely updates to FTA                        |
| Training & Awareness  | Brief finance, tax, and legal teams on new obligations                       |

### ACQUISORY COMMENT

These amendments mark a major evolution in the UAE's tax administration, positioning the system closer to mature global tax jurisdictions. The introduction of statutory deadlines, expanded audit rights, and digital invoicing reflects the UAE's focus on strengthening tax governance, improving transparency, and supporting long-term compliance stability.

Acquisory's GCC Tax Practice is ready to support businesses in assessing the impact of these reforms, managing transitional obligations, preparing for e-invoicing, and enhancing compliance frameworks for 2026 and beyond.

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