VALUE ADDED TAX · SUPPLIER & SUPPLY DUE DILIGENCE

FTA Decision No. 13 of 2026: Verification of Supplies Before Input Tax Claims

Issued **22 July 2026** · Effective **1 October 2026** · Implements **Article 54 bis** of the VAT Law, inserted by Federal Decree-Law No. 16 of 2025

WHY IT MATTERS A valid tax invoice will no longer be enough. Where a supply forms part of a chain connected to **Tax Evasion**, a Taxable Person who has not carried out the checks below is treated as having been **required to be aware** of it — and the FTA may **deny the input tax deduction**.

Know Your Supplier — Identity

ARTICLE 3(1)

- **Natural persons:** obtain a valid proof of identity (Emirates ID or passport) and **meet the supplier**, in person or virtually, before the supply is made.
- **Legal persons:** verify incorporation via official databases or a certificate of incorporation, matching the entity's name, address and employees.
- Obtain valid identification of the **director, agent or employee** authorised to represent the supplier.

Place of Business & Risk Flags

ARTICLE 3(2)–(3)

- Confirm a **real place of business** by appropriate electronic means or a field visit, and that it fits the activity carried out.
- Three risk flags must not apply: the **address** or the **key employees changed more than twice** in 12 months; transactions **disproportionate** to the supplier's size and trading history.
- Where one does apply, retain a **clear, justified explanation** and produce it to the FTA on request.

Higher-Value Suppliers

ARTICLE 3(4) — AED 375,000

- Where supplies from a supplier **exceed AED 375,000** over the previous or next 12 months, two further checks apply.
- Obtain written confirmation from an **authorised bank in the State** that the supplier holds a bank account, free of reservations or conditions. It need not be addressed to you.
- Review **public reviews and media coverage** from reliable sources for consistency and any evasion indicators.

Verify Each Supply

ARTICLE 4

- The supplier's involvement must rest on **genuine commercial reasons**, within its **licensed activity**, at prices and margins in line with the market.
- Settle by **electronic means**. Cash requires a documented commercial reason, within legislated thresholds and easily verifiable.
- **Third-party payments**, or payment to an account outside the supplier's country of incorporation, need a reasonable commercial explanation.
- Confirm the **authenticity, origin and ownership** of goods, and a clear commercial role where the supplier acts as an intermediary.

THRESHOLDS & WHEN THE CHECKS BITE

TRIGGER	WHAT APPLIES
Consideration below AED 10,000, excluding VAT	**Verification measures may be disregarded** — Art. 6(1)
Supplier total above **AED 100,000** over the previous or next 12 months	**AED 10,000 relief withdrawn — verify in full** — Art. 6(2)
Supplier total above **AED 375,000** over the previous or next 12 months	**Add bank confirmation and reputation review** — Art. 3(4)
First dealing, or supplier not verified in the previous 12 months	**Full supplier verification** — Art. 5(1)
Every Taxable Supply received or accepted	**Supply checks, documented evidence and a written policy** — Art. 5(2)–(4)

ACTION POINTS BEFORE 1 OCTOBER

1. **Refresh the supplier master** — identity, incorporation and place-of-business evidence for anyone unverified in 12 months.
2. **Band suppliers** against the AED 10,000 / 100,000 / 375,000 tests and request bank confirmations for the top band.
3. **Move settlements to electronic means** and document the commercial reason behind any cash, third-party or offshore payment.
4. **Issue a written verification policy** naming who implements, reviews and supervises it, and file the evidence with your tax records.

HOW WE CAN HELP Supplier Due-Diligence Framework › Verification Policy › Supplier File Review › VAT Audit Readiness

In case of any assistance, pls do get in touch with Mr. Mohan Krishna on mohan.krishna@gbsei.com

Office No 12A-06, 13th Floor, HDS Tower, Plot No F2,
Jumeirah Lakes Towers,
Post Box 309074, Dubai (U.A.E)
Tel: +971-4-4471804

Office No 201/202, Al Hisn Tower
(Sharjah Cement Factory Bldg), Bank Street, Rolla,
Post Box 4706, Sharjah (U.A.E.)
Tel: +971-6-5683997

E-mail: tax@gbsei.com · info@kaa.ae
www.gbsei.com · www.kothariauditors.com