



ALO TAX PAPER · VAT

FTA Decision No. 13 of 2026

Verifying suppliers and supplies before deducting input tax

Effective 1 October 2026

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— SECTION 1

What the Decision does

From **1 October 2026**, a valid tax invoice is no longer enough to protect input tax. A business must also show that it checked **who it bought from** and **what it bought**, and it must have kept the evidence.

Item	Position
Instrument	FTA Decision No. 13 of 2026 on the measures, procedures and conditions for verifying the validity and integrity of supplies before deducting input tax
Issued / published	Issued 22 July 2026; published on the FTA website 20 August 2026
Effective	1 October 2026 (Article 7)
Legal basis	Article 54(bis) of the VAT Law, in force since 1 January 2026
Who it applies to	Every Taxable Person, meaning anyone registered or required to register for VAT (Articles 1 and 2)
What it covers	Supplies received , before input tax on them is deducted (Article 2)
Structure	Art. 3 supplier checks · Art. 4 supply checks · Art. 5 procedures, documentation and policy · Art. 6 the AED 10,000 exception

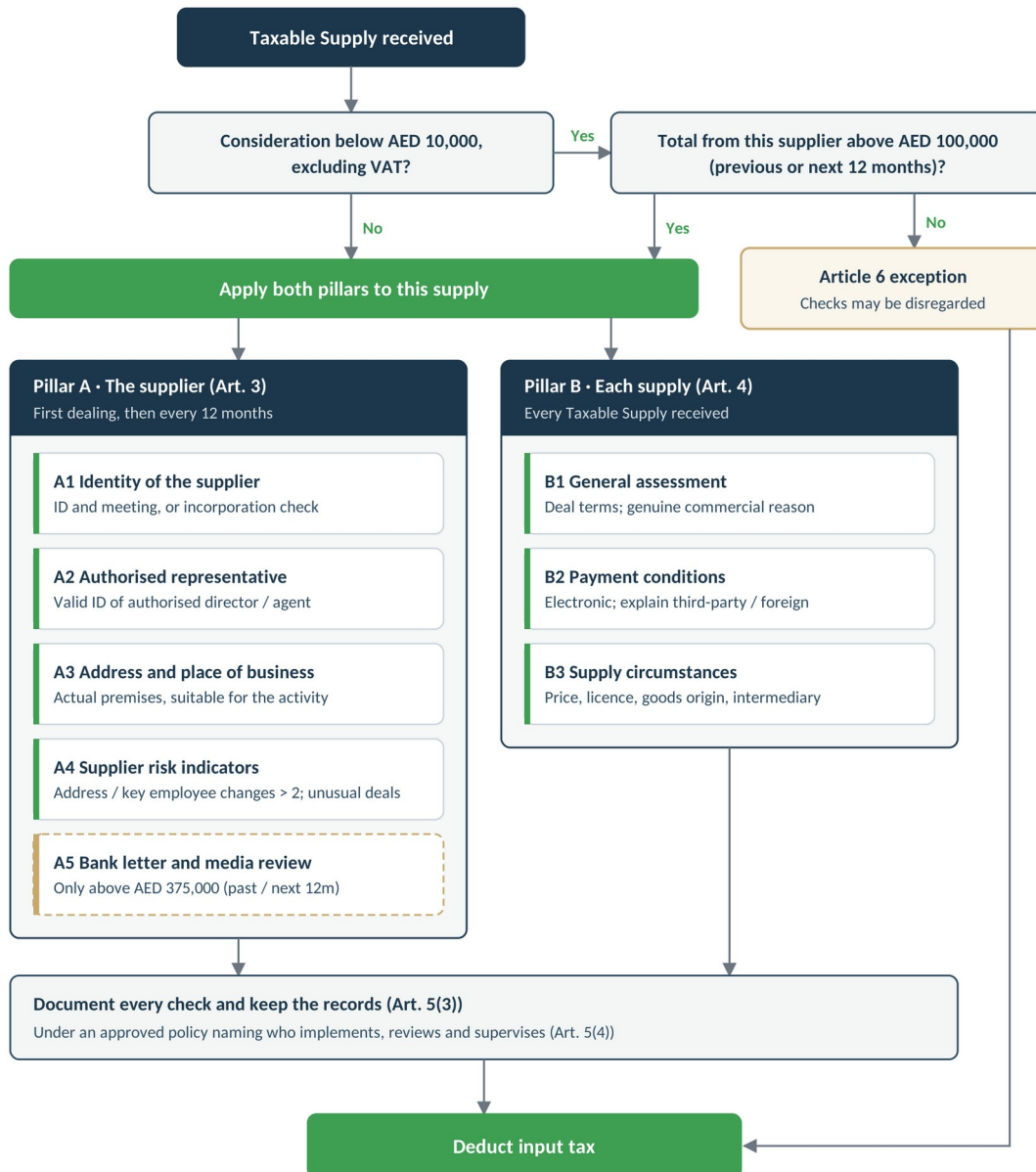
How it works with Article 54(bis). Article 54(bis) lets the FTA reject input tax where the supply sits in a chain linked to Tax Evasion and the recipient knew, or should have known, of the link. The Decision defines what "should have known" looks like in practice. A business that ran and documented these checks has a defence. A business that did not will find that defence very hard to make.

Tax Evasion is defined in Article 1 as using illegal means to reduce tax due, avoid paying it, or obtain a refund one is not entitled to.

— SECTION 2

Decision tree: which checks apply to a supply

Every supply received needs both pillars of checks before input tax is deducted, unless it qualifies for the Article 6 exception. The exception covers supplies under AED 10,000 (excluding VAT), and only while total spend with that supplier stays at or below AED 100,000.



Pillar A is done per supplier and repeated every 12 months. Pillar B is done per supply. Both must be documented under the approved policy before input tax is deducted.

Threshold	Test	Effect	Article
Below AED 10,000 per supply	Consideration excluding VAT, tested supply by supply	All checks in the Decision may be disregarded for that supply	6(1)
Above AED 100,000 per supplier	Total supplies from that supplier in the previous 12 months, or expected in the next 12 months	The AED 10,000 exception is lost for that supplier, so every supply is checked	6(2)
Above AED 375,000 per supplier	Same 12-month look-back or look-forward	Enhanced check A5 applies: bank confirmation, review of public reviews and media, and client recommendations where available	3(4)
12 months	Since the supplier was last verified	Pillar A must be repeated	5(1)
More than 2 changes	Of address, or of key employees, in the previous 12 months	Risk indicator: keep a justified explanation	3(3)

— SECTION 3

The two verification pillars, check by check

The Decision asks for two separate sets of checks. **Pillar A** is about the supplier and is repeated at least once a year. **Pillar B** is about each supply and is done every time. The column "What the Decision requires" follows the text of Articles 3 and 4. The column "Evidence to keep" is our recommendation on how to prove each check was done.

Pillar A — Verifying the supplier (Article 3)

When: the first time you deal with a supplier, and again whenever that supplier has not been verified in the previous 12 months (Article 5(1)).

#	Check	What the Decision requires	Evidence to keep
A1	Identity of the supplier (Art. 3(1))	Supplier is an individual: (1) obtain a copy of a valid proof of identity, such as an Emirates ID or passport; (2) meet the supplier, in person or virtually, before the supply is made. Supplier is a company: verify its incorporation through official databases, or obtain a copy of its certificate of incorporation. The incorporation details must be valid and must match the entity's name, address, employees and other related information.	ID copy and meeting note (date, attendees, in person or video). Registry extract or certificate, trade licence, TRN check, and a note confirming the details match.
A2	Identity of the authorised representative (Art. 3(1)(b)(2))	Companies only: verify the identity of the director, agent or employee authorised to represent the supplier, by obtaining a copy of a valid proof of identity, such as an Emirates ID or passport.	ID copy plus the document showing the person's authority, such as a power of attorney, board resolution or licence listing.

#	Check	What the Decision requires	Evidence to keep
A3	Address and place of business (Art. 3(2))	(a) Verify that the supplier actually has a place of business, using appropriate electronic means or a field visit. (b) Confirm that the premises suit the nature of the supplier's activities.	Visit report with photos, or dated electronic evidence such as maps or Ejari, and a note on why the premises fit the activity.
A4	Supplier risk level (Art. 3(3))	(a) Confirm that none of these risk indicators applies: (1) more than 2 changes of address in the previous 12 months; (2) more than 2 changes of key employees (the supplier's managers or the people you deal with) in the previous 12 months; (3) transactions that are disproportionate or unexpected in volume, value or nature, given the supplier's size and trading history. (b) If any indicator applies, retain a clear, justified explanation and submit it to the FTA on request. The explanation must not contradict the evidence or information you hold.	A risk questionnaire signed off for each supplier. A written rationale for any indicator that is triggered.
A5	Bank account and public reputation — enhanced check (Art. 3(4))	Trigger: supplies from this supplier exceeded AED 375,000 in the previous 12 months, or are expected to exceed AED 375,000 in the next 12 months. Also review client recommendations where available. (a) Obtain written confirmation from an authorised UAE bank that the supplier holds an account. It must carry no reservations or conditions, and it does not need to be addressed to you. (b) Review publicly available reviews and media coverage from reliable sources. Confirm they fit the supplier's nature and size and show no signs of suspected Tax Evasion.	Original bank letter. Dated adverse-media and reviews search (sources, search terms, result). Client references if obtained. Spend tracking against AED 375,000.

Pillar B — Verifying each supply (Article 4)

When: for **every** Taxable Supply received or accepted (Article 5(2)), unless the Article 6 exception applies (Section 2).

#	Check	What the Decision requires	Evidence to keep
B1	General assessment of the supply (Art. 4(1))	(a) Carry out a general assessment of the conditions of the transaction. (b) Confirm that the supplier took part in the transaction for genuine commercial reasons.	Purchase order or contract, approval trail, and the business reason for the purchase.

#	Check	What the Decision requires	Evidence to keep
B2	Payment conditions (Art. 4(2))	(a) The payment method and terms must be commercially justifiable. A reasonable commercial explanation is needed, and must not contradict your information or evidence, where: a third party pays or receives the payment; or payment goes to a bank account outside the supplier's country of incorporation. (b) Payment must be made by electronic means. Cash is allowed only if it rests on a documented commercial reason, stays within the limits in the applicable tax legislation, and is easy to verify.	Payment record matched to the supplier's verified bank details. Written explanation for any third-party or foreign-account payment. Cash log with reasons.
B3	Circumstances of the supply (Art. 4(3))	(a) Pricing: prices or margins must not be commercially unjustifiable or significantly different from market conditions without a clear reason. (b) Activity fit: the goods or services must fall within the supplier's ordinary activity or the activities on its commercial licence. (c) Goods only: verify the authenticity and origin of the goods, and that the supplier owns them or has the right to dispose of them. (d) Intermediaries: if the supplier acts as an intermediary, there must be a clear and justifiable commercial explanation for its role.	Quotes or a price benchmark. Licence activity cross-check. Certificates of origin, delivery notes, customs documents, title documents. Note on the intermediary's role.

— SECTION 4

Doing the checks is not enough: document them and govern them

Article 5 turns the checks into a recordable process. A check you cannot evidence counts the same as a check you never did.

Art. 5	Requirement	What it means in practice
5(1)	Verify each supplier under Article 3 at first dealing, and again where it has not been verified in the previous 12 months	A supplier master file with a "last verified" date and an automatic 12-month re-verification flag
5(2)	Verify each Taxable Supply received or accepted under Article 4	Supply-level checks built into the purchase-order, goods-receipt and invoice-approval steps, not done afterwards
5(3)	Document the verification steps and keep supporting documents and records, so the FTA can confirm they were carried out properly	A dated, retrievable record for each supplier and each supply, linked to the input tax claimed
5(4)	Maintain a documented policy naming who implements, reviews and supervises the verification procedures, with their powers and responsibilities set out clearly. Keep the policy where the required records are kept.	A board- or management-approved policy with a named owner for each step (procurement, AP, finance, tax), kept with the tax records

Timing. The Decision says the checks come **before** input tax is deducted. In our view, each check should be completed and evidenced before the VAT return claiming that input tax is filed. Ideally the supplier checks are done before the first order is placed.

— SECTION 5

Alo Tax views

- **This is "know your supplier" for VAT.** Recovering input tax now depends on what you can prove about the supplier and the transaction, not only on the invoice in hand. Procurement and AP now carry part of the VAT risk.
- **Not an automatic disallowance, but a lost defence.** Article 54(bis) bites where the supply chain is linked to Tax Evasion. If that link exists and the checks were not done, the FTA can treat the business as having "should have known". The checks are therefore the evidence for your defence.
- **The Decision is prospective, but the exposure is not.** It applies from 1 October 2026. Article 54(bis) has applied since 1 January 2026, so claims made between January and September 2026 are still open to the general "should have known" test. We recommend a targeted look-back on high-value and higher-risk suppliers in that period.
- **"Expected to exceed" means looking forward.** Both the AED 375,000 and the AED 100,000 tests include spend expected over the next 12 months. A new supplier on a large contract can trigger enhanced checks from day one. Record the basis of each forecast.
- **The AED 10,000 exception is narrower than it looks.** It is tested per supply, and it is lost once total spend with that supplier passes AED 100,000. Splitting invoices does not help. When assessing the exception, look at the supplier's whole relationship, not the single invoice.
- **Points to watch in the text.** (1) The requirement that incorporation details match the supplier's "employees" is hard to apply in practice; set a reasonable standard in your policy. (2) For cash, the Decision refers to the limits in "the applicable Tax legislation" but sets no figure of its own. (3) The English version is an unofficial translation, so the Arabic text prevails. (4) How the checks apply to imports and reverse-charge supplies from non-resident suppliers is not spelled out. We suggest applying the same principles in proportion until the FTA gives guidance.
- **Check before you file.** Before each VAT return, confirm that every input tax amount claimed above the exception has a complete verification file. Fixing a gap before filing costs far less than defending it in an FTA audit.

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This paper follows the unofficial English translation of FTA Decision No. 13 of 2026; the Arabic text prevails. It is general guidance, not advice for a specific case. For an assessment of your own supplier base and controls, contact Alo Tax Consultants.