



YOUR COMPLIANCE PARTNER IN THE UAE

# WEEKLY NEWSLETTER

## UAE FINANCE UPDATE

Your guide to key finance and compliance updates in the UAE.



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# Your Old VAT Credits Are Quietly Expiring. Act Before They Vanish.

Sitting on a VAT refundable balance from 2021 or earlier? You may have weeks — not years — to recover it. Under the amended **Article 74(3) of the VAT Law** (effective 1 January 2026), excess recoverable VAT can only be carried forward for **5 years** from the end of the tax period in which it arose. After that, it expires. Permanently.

## ALREADY EXPIRED

### Q1 2021 credits → 31 March 2026

If you didn't claim before this date, the balance is gone.

## The 31 December 2026 Cliff

All VAT credits that arose **before 1 January 2021** sit under a single transitional grace window. They must be claimed or refunded by **31 December 2026**. Miss it, and they are written off entirely.

## Two Important Mechanics

- It's the **filing date, not the receipt date**. As long as your VAT311 refund request is submitted before the deadline, the FTA can take its usual processing time.
- The clock runs from the **end of the tax period** in which the credit arose — quarterly filers count quarter-by-quarter, monthly filers count month-by-month.

## What You Need To Do — This Quarter

- **Pull the trial balance:** Total recoverable VAT as at the latest filed return.
- **Age the credits:** Bucket the balance by tax period of origin — pre-2021, Q1 2021, Q2 2021, etc.
- **Quantify the at-risk amount:** Anything older than ~5 years from today is the priority.
- **Reconcile to source:** Match the credit to the original VAT return and supporting invoices. Refund applications need a clean audit trail.
- **File the VAT311:** Submit the refund application through EmaraTax — well before the deadline, since the FTA may request additional information.

*This is a silent cash-flow risk. There's no FTA notification, no warning email — credits simply lapse on their anniversary. If your business has been carrying balances for years, treat the next 6 months as a compressed recovery window. Start with pre-2021 and Q2 2021 — those are the closest to the cliff.*

## The Quiet Cash-Flow Killer

Many UAE businesses have built up sizeable VAT credits over the years — from import-heavy operations, capital projects, zero-rated exports, refund disputes, or simple unclaimed input tax. Under the old rules, these balances rolled forward indefinitely. Under the new rule, the FTA effectively cancels them once the 5-year window closes.

## EXPIRING NEXT

### Q2 2021 credits → 30 June 2026

Roughly 7 weeks to file. Q3 2021 credits expire 30 September 2026.

# E-Invoicing Penalties Decoded

Most coverage of the e-invoicing rules has focused on the headline AED 5,000 per month penalty for failing to appoint an ASP. The fine print of Cabinet Decision No. 106 of 2025 is broader — and a lot more punitive once you're live. Here's the full penalty stack.

## The Four Penalty Categories

### 1. SYSTEM NOT ACTIVATED / NO ASP

**AED 5,000 per month** — for failing to activate the e-invoicing system or appoint a pre-approved ASP within the required timeframe. Continues every month until remedied.

### 2. INVOICE NOT ISSUED OR TRANSMITTED ON TIME

**AED 100 per invoice** — for each electronic invoice not issued or transmitted within the prescribed window. Capped at **AED 5,000 per month**. The cap means high-volume invoicers stop accruing per-document, but low-volume miss-fires can still hurt.

### 3. CREDIT NOTE NOT ISSUED OR TRANSMITTED

**AED 100 per credit note** — same structure as invoices: per-document fine, **AED 5,000 monthly cap**. Critical to remember when you process refunds, returns or post-issue corrections.

### 4. FAILURE TO NOTIFY FTA OF SYSTEM MALFUNCTION

**AED 1,000 per day** (or part of a day) for not notifying the FTA within the prescribed time when your e-invoicing system fails. **No monthly cap** — this one accrues without ceiling.

## The Four Penalty Categories

The AED 5,000 monthly cap applies separately to invoice penalties and to credit-note penalties. So in a worst-case month a business could absorb AED 5,000 for missed invoices, AED 5,000 for missed credit notes, AED 5,000 for not having a system live, plus uncapped malfunction-notification penalties. The penalty stack is bigger than it looks.

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## What You Need To Do – This Quarter

- **Map the invoice volume** — How many invoices and credit notes do you issue per month? That tells you whether the AED 100 per-document fine is your real risk, or the AED 5,000 monthly cap.
- **Stress-test your ASP's SLA** — If your provider's network goes down, who notifies the FTA, and within what timeframe? AED 1,000/day uncapped is the highest-risk penalty.
- **Build a credit-note workflow** — Many ERPs delay credit-note transmission until month-end. Under the new rules, that's a per-document AED 100 fine waiting to happen.
- **Run a dry-run pilot in Q3 2026** — Better to surface integration gaps in a no-penalty pilot than discover them on 2 January 2027.



*The AED 5,000/month figure is the floor, not the ceiling. Once you're live, every missed invoice, every late credit note and every undisclosed system failure adds up. A business that goes live messy can absorb AED 15,000+ in a single month — the same amount as a year of clean ASP fees.*

# OPEC Exit: One Week In



Last week we covered the announcement. The UAE's exit from OPEC and OPEC+ became effective on **1 May 2026**. Here's what the first week has actually looked like.

## How the Market Moved

- **Initial dip, sharp rebound:** Crude prices first fell on supply-glut fears, then rebounded above **\$105 WTI and \$112 Brent** on Iran-related risk premiums and Strait of Hormuz disruptions.
- **OPEC influence diluted:** The UAE was OPEC's third-largest producer with significant spare capacity — its exit weakens the cartel's ability to swing the market.
- **Geopolitical read:** Analysts flagged the move as signalling closer alignment with US energy interests, though the UAE's official stance emphasises sovereign flexibility.
- **Production runway:** Pre-conflict UAE capacity was **~4.8 mbpd**, versus a previous OPEC quota of 3.2 mbpd. ADNOC's target is 5 mbpd by 2027 — that's ~2 mbpd of fresh supply once normalised.

## What Watch Next

### **Three signals over the coming weeks:**

Three signals over the coming weeks: (1) whether ADNOC publishes a near-term production ramp; (2) how Saudi Arabia rebalances OPEC+ commitments without UAE participation; (3) any UAE Federal-budget guidance reflecting higher hydrocarbon revenue. For most clients: dirham peg unaffected, compliance calendar unchanged, but energy-sensitive sectors should stress-test fuel and freight assumptions.

# Your Compliance Calendar

Refreshed for the next 11 months.

DATE	WHAT'S DUE / WHAT KICKS IN
May 28, 2026	Monthly VAT return for April 2026 due.
Jun 28, 2026	Monthly VAT return for May 2026 due.
Jun 30, 2026	Last day to claim VAT credits arising in Q2 2021 (5-year
Jul 1, 2026	UAE e-Invoicing Pilot Programme begins.
Jul 28, 2026	Quarterly VAT return for Apr-Jun 2026 due.
Jul 31, 2026	Deadline for businesses with revenue $\geq$ AED 50M to appoint
Sep 30, 2026	Corporate Tax return due for entities with 31 Dec 2025 year-
Dec 31, 2026	Cliff date: pre-2021 VAT credits and Small Business
Jan 1, 2027	Mandatory e-Invoicing go-live for businesses $\geq$ AED 50M. Per-
Mar 31, 2027	Deadline for businesses $<$ AED 50M to appoint an ASP.

# Free VAT Credit Recovery Review

LET'S TALK

## Book a free 30-minute VAT Credit Recovery Review

Bring us your latest filed VAT return position and we'll age the recoverable credits, identify what's at risk under the 5-year sunset, and map a recovery plan ahead of the 30 June and 31 December 2026 deadlines. You leave with a written summary and a clear filing roadmap — no obligation.

**CA Midhun Nair**

Chartered Accountant, Partner, Elysian Consulting Group

To book, write to me directly: ✉ [info@elysianuae.com](mailto:info@elysianuae.com) ☎ +971 56 479 2544 🌐 [www.elysianuae.com](http://www.elysianuae.com)



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