Issue 21 | DOP 13, October, 2026

ELYSIAN CONSULTING GROUP

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WEEKLY NEWSLETTER



INSIGHTS

1. **FTA Decision 17/2026:** Six Cases, Strict Conditions — Input VAT on Employee Expenses Resets from 1 October
2. **Two Clarifications on 2 October:** TAXP010 (Free Zone vs Designated Zone) + VATP047 (Metal Scrap Reverse Charge)
3. **The October Cost Reset:** Petrol Up 60 Fils, Selling Prices at a 15-Year High, Brent Above $100
4. **Your Compliance Calendar**
5. **Free Employee-Benefit VAT Recovery Review**

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MAIN INSIGHT
FTA DECISION 17/2026: SIX CASES, STRICT CONDITIONS – INPUT VAT ON EMPLOYEE EXPENSES RESETS FROM 1 OCTOBER

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The FTA has issued **Decision No. 17 of 2026** (dated 9 September, effective **1 October 2026**) – the cases and conditions for recovering input VAT on goods and services given to employees free of charge under a **contractual obligation or documented policy** (Article 53(1)(c)(2) of the VAT Executive Regulation). It names **six cases**, and in every one of them **all the listed conditions must be met**. It went live on the same day as Cabinet Decision 149/2026 (Issue 20) and Decision 13/2026 (Issue 17) – the third leg of the 1 October VAT reset.

IN FORCE SINCE

1 OCTOBER 2026

Six cases ·every condition in a case must be met· no cash alternative on transport, food or accommodation

The Six Cases at a Glance

1. TRANSPORT

- Home-to-work, clients' premises or other job-related travel only
- Not used for the employee's personal benefit
- Employee cannot opt for a cash allowance instead

2. FOOD & BEVERAGES

- Home-to-work, clients' premises or other job-related travel only
- Not used for the employee's personal benefit
- Employee cannot opt for a cash allowance instead

3. EMPLOYEE

- Operational requirement — not part of ordinary pay or benefits
- Work requires living near the workplace, site or client
- Employee only, basic fixtures, no cash alternative

4. NEW-JOINER ACCOMMODATION

- Temporary — no longer than 30 days
- Commensurate with the job and basic residency needs

The Three Tests That Will Trip Most Claims

- **The cash-alternative test:** For transport, food and accommodation, recovery fails where the employee is able to opt for a cash allowance or financial compensation instead. Many HR policies offer exactly that choice – "company transport or transport allowance". As the Decision is worded, the option itself is the problem.
- **The operational-need test for accommodation:** Housing must relate to the operational requirements of the work and must not form part of the employee's benefits or ordinary compensation. Family occupation is excluded, unless the employee is required to reside permanently near the workplace so that the accommodation is their usual place of residence.
- **The policy-and-monitoring test for phones and internet:** A documented internal policy must set the scope of permissible use and the consequences of unauthorised use. The employer must also show reasonable monitoring mechanisms and keep records and justifications where unauthorised use occurs.

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How It Fits with Cabinet Decision 149/2026

- **Two routes, both tighter:** Cabinet Decision 149/2026 (Issue 20) reworked the employee-accommodation rules in Article 53. Commentators read it as closing the general labour-law route for accommodation unless a MoHRE decision or directive requires it. Decision 17 now sets the conditions for the contractual and documented-policy route.
- **Following up Issue 20:** We said the accommodation clarification could open recovery on some categories or close others. With the text of Decision 17 in hand, the second outcome looks more likely – expect a narrower claim unless every condition is evidenced.
- **What the Decision leaves undefined:** "Remote, distant or isolated", "reasonable monitoring mechanisms" and "significant recreational or personal elements" carry no thresholds. Until FTA guidance arrives, record why the facts meet each test.

5. EMPLOYEEMOBILE, DATA & HOME INTERNET

- Necessary to perform job duties, including remote work
- Personal use incidental and insignificant
- Documented usage policy plus reasonable monitoring

6. PARKING

- Incurred solely for business purposes
- Documented reimbursement policy with an approval mechanism
- Receipts showing date, time, amount and tax paid

Who Is In Scope – Article 4(1) Exempt Categories

- **Map every employee benefit to a case:** List staff transport, meals, housing, new-joiner stays, phones, SIMs, home internet and parking. Mark each as inside a case with all conditions met, or outside. Anything outside the six cases is not covered by this route and needs its own analysis.
- **Review the allowance options in contracts and HR policies:** Where employees may choose cash instead of transport, food or accommodation, the input VAT on that benefit is at risk for costs incurred from 1 October.
- **Write the policies the Decision names:** A device and connectivity usage policy with monitoring, and a parking reimbursement policy with an approval mechanism. Both must exist as documents, not as practice.
- **Start with labour camps and staff housing:** This is where the largest numbers sit. Build the evidence file – operational need, proximity requirement, who occupies the unit, and the standard of fixtures.
- **Reset the tax codes before the first return:** Monthly filers report October 2026 in the return due 28 November. Blocked input VAT should not flow into Box 9 by default.

Decision 17/2026 turns employee-expense recovery into a checklist: six cases, each with conditions that must all be met, and a cash-alternative bar on the three largest cost lines. The claim now depends on HR documentation – contracts, policies, monitoring records and receipts. Review the benefit register this month, before the first return that covers October.

TWO CLARIFICATIONS ON 2 OCTOBER: TAXP010 (FREE ZONE VS DESIGNATED ZONE) + VATP047 (METAL SCRAP REVERSE CHARGE)

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Why It Matters for QFZP Distributors

- **Distribution qualifies only from a Corporate Tax Designated Zone:** "Distribution of goods or materials in or from a Designated Zone" is a Qualifying Activity under Ministerial Decision 229/2025. TAXP010 confirms the 0% rate applies only where the distribution is carried out in or from a Corporate Tax Designated Zone and every other condition is met.
- **Goods must enter through the zone:** Under Ministerial Decision 229/2025, goods entering the State must be imported through the Designated Zone and supplied to a customer who resells, processes or alters them, or to a public benefit entity.
- **The five-period consequence:** A QFZP that fails any condition at any time in a Tax Period ceases to be a QFZP **from the beginning of that Tax Period and for the following four Tax Periods**.
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The FTA published two Public Clarifications on **2 October 2026. TAXP010** addresses a shortcut many free zone businesses have been taking – treating VAT Designated Zone status as if it also settled the Corporate Tax position. **VATP047** sets out how the reverse charge applies to metal scrap traded between UAE VAT registrants. Neither amends the law; each states the FTA's position on rules already in force.

TWO EXEMPTION APPLICATION DEADLINES

31 OCT · 31 DEC 2026

Transitional windows for retrospective exemption applications· Do not miss

Update 2A · TAXP010 – One Location, Four Separate Tests

CORPORATE TAX FREE ZONE

- A defined geographic area specified in a Cabinet decision at the Minister's suggestion
- Confirm status with the Free Zone authority

CORPORATE TAX DESIGNATED ZONE

- Must be on the VAT List of Designated Zones AND be a Free Zone for Corporate Tax
- VAT Designated Zone status alone is not enough

VAT DESIGNATED ZONE

- Fenced area listed under Cabinet Decision 59/2017
- Must also meet Article 51(1): security and customs controls, internal goods procedures, operator compliance

EXCISE TAX DESIGNATED ZONE

- Fenced free zone under customs supervision, or an area specified by the FTA
- A Warehouse Keeper must be appointed; confirm FTA approval

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What Clients Should Do This Month

- **Get the zone status in writing – tax by tax:** Ask the Free Zone authority to confirm, separately, the Corporate Tax Free Zone status, the Corporate Tax Designated Zone status and the VAT position. File the reply with the CT working papers.
- **Trace the goods, not the licence:** For distribution clients, evidence where goods are imported, stored and sold from – customs declarations, warehouse records and delivery documents.
- **Re-test Qualifying Income:** Where distribution runs from a zone that is not a Corporate Tax Designated Zone, re-run the Qualifying Income and de minimis tests, and review the position taken in returns already filed.
- **Scrap traders – build the declaration pack:** A standard buyer declaration, a TRN verification record for each supply and the reverse-charge wording on the invoice template. Map Box 3 and Box 10 in the accounting system.

Update 2B · VATP047 – Reverse Charge on Metal Scrap

- **Scope:** Supplies of metal scrap between UAE VAT registrants under Cabinet Decision 153/2025, where the buyer intends to resell the scrap or process it. Ferrous and non-ferrous scrap is covered, including used lead-acid batteries. Paper, plastic, glass and rubber scrap stay under the normal rules.
- **Before the date of supply:** The buyer gives written declarations of its intended use and its VAT registration (TRN). The supplier keeps them, verifies the TRN on the FTA portal and states on the tax invoice that the reverse charge applies.
- **In the return:** The buyer accounts for output tax in Box 3 and recovers it in Box 10, subject to the normal recovery rules. The supplier charges no VAT on the supply.
- **If the paperwork is missing:** The supply falls back to standard-rated treatment – the supplier must charge 5%, and commentary on the clarification indicates the buyer may be unable to recover it.
- **Not covered:** Scrap bought for the buyer's own use, such as internal maintenance, and exports of scrap, which follow the usual zero-rating rules.



TAXP010 ends the assumption that a zone carries one tax status. A location has to be tested separately for Corporate Tax, VAT and Excise, and a QFZP distributor that gets the Corporate Tax test wrong risks losing QFZP status for five Tax Periods. VATP047 is narrower but just as procedural – on metal scrap, the declaration comes before the supply, not after.

THE OCTOBER COST RESET: PETROL UP 60 FILS, SELLING PRICES AT A 15-YEAR HIGH, BRENT ABOVE $100

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What Happened Under the Hood

- **The Fed minutes lean hawkish:** Minutes of the 15–16 September meeting, released 7 October, show most officials expect another hike before year-end. September's move took the range to 3.75–4.00%.
- **But the jobs data cooled:** US September payrolls rose only 29,000 (released 2 October) against about 90,000 expected, with unemployment at 4.2%. Market pricing for an October hike fell to about 20%, from about 70% a week earlier; December sits near 80%.
- **Oil stayed above $100:** Brent was $104.74 on 7 October, about 6% higher than a month earlier, and around $102.5 on 8 October. Shipping risk in the Strait of Hormuz and Bab el-Mandeb remains the driver.
- **Pricing power returned at home:** UAE non-oil firms raised selling prices at the fastest rate since May 2011, as raw material and freight costs rose. Dubai's output-price inflation was the fastest since January 2014.
- **Dubai property held its volume:** Q3 2026 recorded 37,429 sales worth AED 92.9 billion, of which AED 52.6 billion was primary (developer) sales, according to fam Properties.

Three weeks have reset the UAE cost base again. **October fuel prices** (announced 30 September, effective 1 October) rose **59–60 fils/L on petrol and 50 fils/L on diesel** – diesel is now AED **4.80/L**, against AED 3.80 in August. The September **S&P Global UAE PMI held at 55.3**, with firms raising selling prices at the fastest pace since May 2011. Brent has traded at **$102–105/bbl** this week, and the Fed's minutes (7 October) show most officials expect another rate hike before year-end.

UAE Fuel – September vs October 2026

SEPTEMBER 2026

- Super 98 — AED 3.80/L
- Special 95 — AED 3.69/L
- E-Plus 91 — AED 3.61/L
- Diesel — AED 4.30/L

OCTOBER 2026

- Super 98 — AED 4.40/L (+AED 0.60)
- Special 95 — AED 4.28/L (+AED 0.59)
- E-Plus 91 — AED 4.21/L (+AED 0.60)
- Diesel — AED 4.80/L (+AED 0.50)

The Numbers That Moved

SEPTEMBER 2026

- Super 98 — AED 3.80/L
- Special 95 — AED 3.69/L
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- E-Plus 91 — AED 4.21/L (+AED 0.60)
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What It Means for UAE Clients

- **Logistics, transport and delivery operators:** Diesel is up AED 1.00/L in two months – about 26% since August. Contractual fuel surcharges should re-price from 1 October, and unit-cost models need a refresh this week.
- **Employers running staff transport:** Fuel costs are rising just as Decision 17/2026 tightens input VAT recovery on employee transport. Check both the cost line and the recovery position together.
- **Treasury & FX teams:** The dirham peg means UAE rates follow the Fed. Budget for the current range through year-end and stress-test borrowing costs for one more 25bp hike in December.
- **Pricing and contracts:** With selling prices rising at a 15-year pace, suppliers will push increases into 2027 renewals. Review price-escalation clauses before budgets are locked.
- **Gold & jewellery businesses:** Gold is roughly 5% below the $4,369/oz reached on 17 September (Issue 20). Inventory bought at the peak needs a valuation and hedge review.

Three signals into November: (1) 14 October US September CPI – the last major print before the Fed meets; (2) the 27–28 October FOMC – a hold is priced at about 80%, with December the live meeting; (3) the end-October announcement of November UAE fuel prices – Brent above $100 leaves little room for relief. For UAE CFOs, the Q4 base case remains "higher for longer" on both fuel and funding.

YOUR COMPLIANCE CALENDAR

Refreshed for the next **6** months.

DATE	WHAT'S DUE / WHAT KICKS IN
15 Oct 2026 (Thu)	Excise Tax return for September 2026 due (FTA portal).
27–28 Oct 2026	FOMC meeting. A hold is priced at about 80%; US September CPI lands on 14 October. Dirham peg tracks USD.
28 Oct 2026 (Wed)	Quarterly VAT return for Jul–Sep 2026 due (FTA portal deadline).
30 Oct 2026 (Fri)	ASP appointment deadline for businesses ≥ AED 50M revenue.
31 Oct 2026 (Sat)	NEW: FTA Decision 15/2026 – exemption application deadline for Article 4(1)(h) wholly-owned juridical persons of Government / Government-Controlled Entities (pre-1 Jan 2026 Tax Periods).
28 Nov 2026 (Sat)	Quarterly VAT return for Aug–Oct 2026 due (FTA portal deadline).
28 Dec 2026 (Mon)	Quarterly VAT return for Sep–Nov 2026 due (FTA portal deadline).
31 Dec 2026 (Thu)	FTA Decision 15/2026 – exemption deadline for CD 55/2025 and CD 34/2025 juridical-person cohorts. Also Top-Up Tax deregistration for entities ceased pre-30 Jun 2026.
1 Jan 2027 (Fri)	Mandatory e-Invoicing go-live for businesses ≥ AED 50M. Per-invoice penalties begin.
28 Jan 2027 (Thu)	Quarterly VAT return for Oct–Dec 2026 due (FTA portal deadline).
01 Mar 2027 (Fri)	Quarterly VAT return for Nov 2026–Jan 2027 due (FTA portal deadline).
28 Mar 2027 (Thu)	Quarterly VAT return for Dec 2026–Feb 2027 due (FTA portal deadline).
31 Mar 2027 (Wed)	ASP appointment deadline for businesses < AED 50M; government entities also.

FREE EMPLOYEE-BENEFIT VAT RECOVERY REVIEW

LET'S TALK

Book a free 30-minute Employee-Benefit VAT Recovery Review

FTA Decision 17/2026 has applied since 1 October 2026. Bring your HR policies, employment contract templates and a list of staff benefits – transport, meals, accommodation, phones and parking. We'll map each one to the six cases, flag where a cash-allowance option or a missing policy blocks recovery, and show what to fix before your next VAT return. You leave with a written gap list – no obligation.

To book, write to me directly:

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