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FTA Decision No. 13 of 2026: New Supplier Due Diligence Before Input VAT Recovery

The FTA has issued Decision No. 13 of 2026, effective from 1 October 2026, prescribing the checks a Taxable Person must perform before deducting Input Tax on supplies received. The Decision operationalises Article 54 bis of the VAT Law, under which Input Tax may be denied where a supply is connected with Tax Evasion and the recipient knew or should have known of that connection.

The practical impact is significant: a valid tax invoice will no longer be enough on its own. Businesses will need a documented supplier due diligence process, transaction-level checks and evidence that those checks were carried out before Input Tax is claimed.

For background on Article 54 bis and the broader "knew or should have known" framework, see our earlier article, **From "I didn't Know" to "You should have known": UAE Article 54(bis) and Supply-Chain VAT Risk.**

What changes from 1 October 2026

The Decision introduces two linked layers of verification: a supplier-level review and checks at the level of each taxable supply. It also requires businesses to evidence how those checks are governed and retained.

Area	Requirement	Frequency / trigger
Supplier verification	Identity/incorporation, actual place of business and specified risk indicators.	On first engagement and refreshed if not verified in the previous 12 months.
Enhanced supplier checks	UAE bank-account confirmation plus review of reliable public information, including reviews and media coverage.	Where supplies from the supplier exceed, or are expected to exceed, AED 375,000 over 12 months.
Supply verification	Commercial rationale, payment arrangements, pricing/margins, licence scope, origin and title to goods, and the role of intermediaries.	For each taxable supply received or accepted.
Governance and evidence	Document the checks, retain supporting records and maintain a written policy identifying those responsible for implementation, review and supervision.	Ongoing.

The thresholds are narrower than they first appear

The AED 10,000 de minimis is useful only for genuinely small or incidental supplier relationships. Once spend with the same supplier exceeds, or is expected to exceed, AED 100,000 over a rolling 12-month period, the exception is unavailable even for individual supplies below AED 10,000.

Threshold	What it does	Practical effect
Below AED 10,000 per supply	The Decision's checks may be disregarded for that supply.	Available only while aggregate supplier spend remains below the AED 100,000 test.
AED 100,000 per supplier / 12 months	Removes the AED 10,000 exception.	Recurring suppliers will generally fall into the full verification regime.
AED 375,000 per supplier / 12 months	Triggers enhanced bank-account and public-information checks.	Significant suppliers require a deeper annual file and more lead time to collect evidence.

Where implementation is likely to be difficult

The challenge is less about understanding the list of checks than embedding them into existing business processes. In practice, the Decision cuts across procurement, accounts payable, finance and tax, and may require information that current onboarding files do not capture.

Operational area	Likely implementation issue
Supplier onboarding	Existing files may not evidence the supplier's actual place of business, changes in address or key personnel, or explanations for unusual trading patterns.
Payments and intermediaries	Third-party payments, overseas bank accounts, cash settlement and intermediary structures require a contemporaneous commercial explanation.
Transaction approval	Pricing, margins and commercial rationale need to be assessed before Input Tax is claimed, not reconstructed after an FTA query.
High-volume environments	A purely manual review for every taxable supply may be unworkable; standardised controls or system changes may be needed.
Procurement decisions	Unusually low pricing or opaque supplier profiles may need to be treated as VAT risk indicators rather than simply commercial advantages.

This is therefore not simply a document-collection exercise. Businesses may need to reconsider how suppliers are selected, transactions are approved and unusual pricing, margins or payment arrangements are escalated.

What businesses should do before 1 October

A staged implementation is likely to be more manageable than trying to remediate every supplier and every process at once.

Step	Priority	Typical actions
1	Scope and prioritise	Map supplier spend on a rolling 12-month basis; identify suppliers above AED 100,000 and AED 375,000; prioritise high-value and higher-risk relationships.
2	Build the framework	Gap-assess current onboarding and AP controls; adopt the required written policy; update supplier questionnaires, declarations and contractual protections.
3	Embed in the workflow	Place transaction-level checks and red-flag escalation into purchase-order, invoice-approval or payment processes; train procurement, finance and tax teams and retain evidence of the process followed.

Consequences of getting it wrong

Decision No. 13 does not itself set out a separate administrative penalty. The more important exposure is that the related Input Tax deduction may be denied under Article 54 bis. This can create additional VAT payable, late-payment consequences and wider scrutiny of the same supplier or control failure across other periods. Even where a supplier and transaction are legitimate, a business may find it difficult to defend the deduction if it cannot demonstrate that the prescribed checks were performed and documented.

How Willow can help

For businesses with a material UAE supplier base, implementation is likely to be a cross-functional compliance project rather than a one-off VAT review. We can tailor the work to the client's supplier population and existing procurement and finance systems.

Client need	How Willow can support
Understand the exposure	Focused Decision No. 13 readiness review; supplier segmentation by the relevant thresholds; risk-based remediation plan for existing suppliers.
Create the compliance framework	Supplier-verification policy, SOPs, responsibility matrix, escalation procedures, due diligence questionnaires, declarations and annual-refresh documentation.
Embed the controls	Transaction-level red-flag and escalation controls in purchase-to-pay and VAT recovery processes; review procurement criteria and supplier contracts, including information obligations, cooperation/audit rights and appropriate VAT protections.
Test and defend the position	Targeted higher-risk supplier or transaction reviews, team training, pre-audit health checks and support in FTA enquiries or disputes under Article 54 bis.

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Best regards,

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