WILLOW
TAX & LEGAL



UAE VAT e-invoicing penalties revised

Cabinet Decision No. 173 of 2026, issued on 6 October 2026 and published in Official Gazette Issue No. 833 on 14 October 2026, repeals Cabinet Decision No. 106 of 2025 in full and came into force on 15 October 2026.

It revises the administrative penalties regime for the UAE VAT Electronic Invoicing System

The revised regime arrives as the first wave of businesses moves to go-live. The deadline for businesses with revenue of AED 50 million or more to appoint an Accredited Service Provider (ASP) passed on 30 October 2026, and mandatory e-invoicing for them starts on 1 January 2027.

KEY CHANGES AT A GLANCE

VIOLATION	DECISION NO. 106 OF 2025	DECISION NO. 173 OF 2026
Failure to implement the system, including failure to appoint an ASP	Issuers only. AED 5,000 per month or part thereof, with no cap.	Issuers and Recipients. AED 5,000 for the first violation, then AED 5,000 per month or part thereof while it continues. Capped at AED 50,000 in any 12 consecutive months.
Recipient's failure to maintain compliance after implementation	No specific penalty.	Same penalty as above, within the same AED 50,000 cap.
Failure to issue and transmit an e-invoice or e-credit note	AED 100 per document, up to AED 5,000 per month for each document type.	Unchanged.
Failure to notify the FTA of a System Failure	AED 1,000 per day of delay, for Issuers and Recipients separately.	Removed.
Failure to notify the ASP of changes to data registered with the FTA	AED 1,000 per day of delay, with no cap.	AED 250 per day of delay, up to AED 5,000 per month.

WHAT THE CHANGES MEAN

Recipients are now exposed to the implementation penalty. Under the old regime, the implementation penalty applied only to Issuers. It now also applies to Recipients that fail to implement the system in line with Ministerial Decision No. 244 of 2025, and to Recipients that, having implemented it, fail to keep meeting their obligations as Recipients under Ministerial Decision No. 243 of 2025. Businesses that mainly receive supplies, and assumed their exposure was limited, should revisit that view.

Continuing non-compliance is capped. The open-ended monthly penalty is replaced by an initial AED 5,000 plus AED 5,000 for each further month or part month. Total penalties for implementation and Recipient-compliance failures cannot exceed AED 50,000 in any 12 consecutive months.

One penalty per violation. Where the same person acts as Issuer, Recipient or both in respect of the same violation, only one penalty is imposed.

System Failure penalties removed. The daily penalties for failing to notify the FTA of a System Failure no longer apply, and the Decision no longer defines System Failure. This affects the penalty only. Businesses should continue to follow the System Failure procedures set out in the Ministerial Decisions.

Voluntary adopters remain outside the regime. Businesses that issue, transmit or report e-invoices on a voluntary basis, including those in the pilot phase that began on 1 July 2026, are not subject to these penalties.

IMPLEMENTATION TIMELINE

Decision No. 173 does not change the implementation dates under Ministerial Decision No. 244 of 2025, as amended:

- **Revenue of AED 50 million or more:** appoint an ASP by 30 October 2026 (now passed); go-live on 1 January 2027.
- **Revenue below AED 50 million:** appoint an ASP by 31 March 2027; go-live on 1 July 2027.
- **Government entities:** appoint an ASP by 31 March 2027; go-live on 1 October 2027.

WHAT BUSINESSES SHOULD DO NOW

- **Appoint an ASP without delay** if you are in the first wave and have not yet done so, and keep a record of the steps taken.
- **Check readiness to receive, not only to issue.** Recipient obligations now carry their own penalty, so purchasing, accounts payable and ERP teams should confirm that incoming e-invoices can be received and processed through the ASP.
- **Keep registration data in sync.** Set up a process to notify your ASP promptly of any change to the data registered with the FTA. The daily penalty is lower, but it still accrues.
- **Plan for the second wave.** Businesses below the AED 50 million threshold have until 31 March 2027 to appoint an ASP. Selection, integration and testing take time, so preparation should start now.

HOW CAN WILLOW HELP?

Willow's tax team supports businesses at every stage of e-invoicing readiness. We assess which entities and transactions are in scope and when, support ASP selection and appointment, and review invoicing processes, and Recipient workflows against the Ministerial Decisions. Where penalties are imposed, we assess the exposure and prepare requests for reviews, reconsideration and objections.

For further information or a discussion, contact our team.



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