What businesses should know on the updated VAT Refund Rules which will be effective from 01 January 2026. (UAE Ministry of Finance Announces Updated VAT Refund Rules)

As part of the continuous efforts to enhance the efficiency of the tax system and strengthen the principles of transparency and fairness in tax transactions, the Ministry of Finance has issued a significant update to the tax-procedures framework on 29 November 2025, impacting how businesses and taxpayers can request refunds of credit balances including VAT overpayments or input-tax credits from the Federal Tax Authority (FTA).(The MoF issued Federal Decree-Law No. 17 of 2025, which amends provisions of Federal Decree-Law No. 28 of 2022 on Tax Procedures.)

What's new — Key amendments

Under the amended law, which will be effective from **1 January 2026,** VAT registrants now have a clear timeframe to claim refunds of VAT credit balances, input-tax credit etc. A refund request must be submitted within a period of not exceeding five (5) years from the end of the relevant tax period. If a taxpayer does not claim the refund (or apply the credit) within those 5 years, their right to the refund / tax credit will expire.

The amendments also allow for special flexibility, if a credit balance arises after the five-year period has expired — or within the last 90 days of that period (in specific cases) — the taxpayer may still submit a refund request. Further, it expand the provisions related to limitation periods, granting the Authority, the power to conduct tax audits or issue tax assessments after the expiry of the limitation period in certain cases, such as refund requests submitted in the final year of the limitation period, to ensure a balance between protecting taxpayers' rights and safeguarding the state's financial entitlements.

Transitional and grace-period provisions

- Taxpayers whose credit balances related to tax periods whose five-year limitation expired before 1 January 2026 or will expire within one year from that date , are granted a transitional window. They may submit refund requests within **one year from 1 January 2026**.
- If the FTA has not yet issued a decision on the refund request, taxpayers can optionally submit a voluntary disclosure related to the request within two years from the filing date.

What this means for businesses and taxpayers

- Businesses should review historical VAT filings and credit balances to check if they have unclaimed credits that fall within the five-year window (or transitional grace period), **to ensure they don't lose entitlement to refunds.**
- The clearer refund-request timeframe reduces uncertainty and improves financial planning — especially for companies carrying forward VAT credits or other tax credit balances.