

JANUARY 2026

KEY VAT UPDATE**UAE VAT Refund Time Limits – Effective from 1 January 2026**

The Federal Tax Authority (FTA) amended the Tax Procedures Law (the Law) under Federal Decree-Law No. 17 of 2025, issued on 1 October 2025. These amendments take effect from **1 January 2026**.

One of the key amendments introduces a statutory **time limit for submitting VAT refund applications**, affecting all VAT-registered businesses in the UAE.

What's New?

Effective from 1 January 2026, VAT refund claims **must be filed within five years** from the end of the relevant tax period. This timeline applies irrespective of how the VAT credit balance arose, including:

- Excess VAT payment, from a VAT Return,
- Voluntary Disclosure, or
- FTA VAT Assessment

VAT Refund claims submitted after this period will be time-barred and no longer recoverable.

Transitional Relief for Historic Refunds

Considering that the VAT regime was introduced in 2018 and that taxpayers may still hold unclaimed historic VAT balances, the Law provides a one-time transitional exception.

Businesses may submit VAT refund applications for periods **exceeding five years**, provided the application is filed **by 31 December 2026**. This allows eligible VAT refunds relating to **tax years 2018 to 2020 to still be claimed**.

Next Steps - What Businesses Should Do Now

1. **Identify historic VAT credit balances** - review VAT returns, FTA account statements, and general ledgers to identify eligible VAT refunds from 2018–2020.
2. **Conduct VAT health check**: Validate the accuracy of historical VAT filings, reconcile VAT accounts, and identify any exposure that could lead to penalties or reject the refund claims.
3. **Optimise cash flow through VAT offsets**: Where applicable, consider offsetting VAT credit balances against VAT payable or penalties to optimise cash flow while remaining compliant with FTA requirements.
4. **Strengthen compliance processes** - Implement controls to monitor VAT credit positions on an ongoing basis, ensuring future refunds are identified and claimed on time.
5. **Prepare and submit refund applications**: Starting 1 January 2026, file VAT refund claims within the five-year deadline to maximise recoveries.

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Key Takeaway – Overview of VAT Refund Deadlines

Tax Period	Deadline for VAT Refund Claims	Notes
From 2018 to 2020	31 December 2026	The extended grace period applies only to refund claims for these historic periods.
For the year 2021	Five-year statutory limitation period	<p>The extended deadline of 31 December 2026 does not apply; meaning the refund claims deadline is significantly shorter.</p> <p><i>For example, for a tax period from November 2020 to January 2021, the 5-year time frame will expire by 31 January 2026.</i></p>

With refund claims at risk of becoming time-barred, businesses are advised to act now and review their 2021 VAT position.

– Ends –

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