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E-Invoicing in the UAE – Modernizing Compliance Through Digital Tax Transformation

Background: Rollout of the UAE E-Invoicing Framework in 2026

The UAE Ministry of Finance (MoF) first announced in July 2023 (link) its plan to establish a federal-level E-Billing System (e-invoicing) as part of its strategic transformation projects. Since then the MoF has launched a dedicated e-invoicing webpage (link) detailing the phased rollout from Q2 2026, along with FAQs clarifying the model's features and obligations (link).

To provide the legal basis, Federal Decree-Law No. 16 of 2024 amended the VAT Law to formally recognize e-invoices as valid for issuance and input tax recovery (effective 1 November 2024). In parallel, Federal Decree-Law No. 17 of 2024 amended provisions of the Tax Procedures Law to align with the upcoming system.

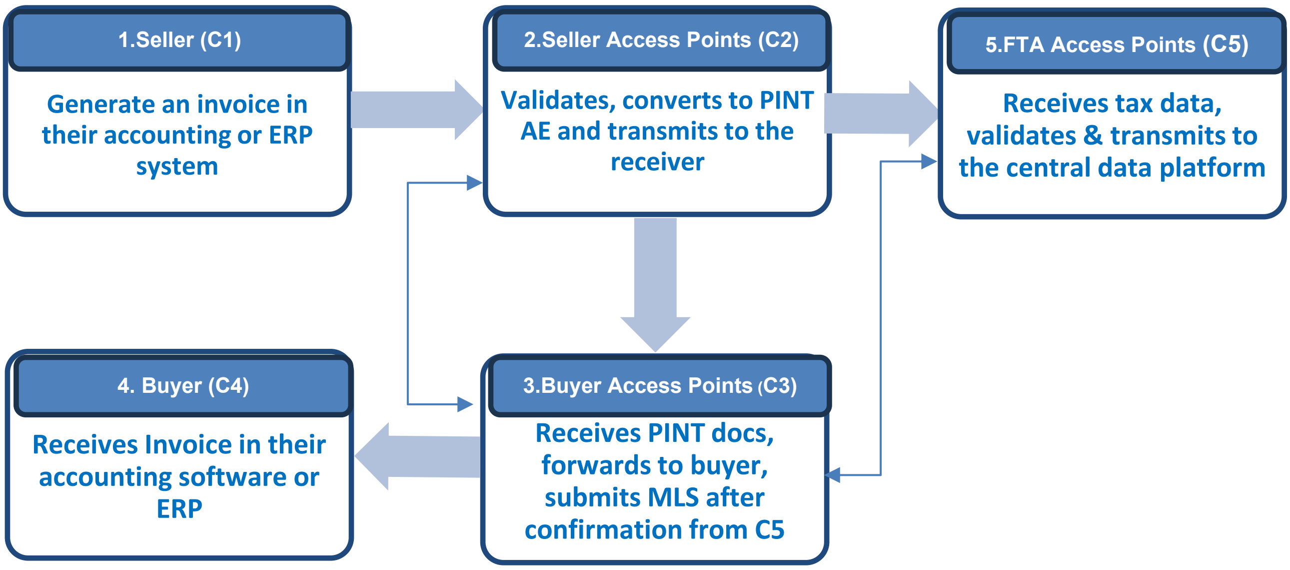
What is E-Invoicing?

*E-invoicing is the **digital exchange** of invoices between **suppliers and buyers** in a structured format that can be automatically processed by a company's IT systems. Unlike traditional invoices such as PDFs, Word files, or scanned copies**, e-invoices are generated, transmitted, and received in a machine-readable format** (for example, XML as specified by the Ministry of Finance). This approach enhances accuracy, ensures compliance, and improves efficiency in VAT reporting.*

How the UAE E-Invoicing System Functions?

*The UAE's e-invoicing system will follow the **PEPPOL-based "5-Corner" decentralised architecture**, with the Ministry of Finance **(MoF)** and Federal Tax Authority **(FTA)** positioned as the **5th corner (C5)** responsible for receiving and storing invoice data.*

Here is how it works step by step:



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E-Invoicing 5-Corner Model: Step-by-Step Explanation (Based on Diagram Above):

1. Seller Generate an invoice in their accounting or ERP system **(Corner 1)**

   *The seller enters the invoice in their accounting or ERP system and sends it through an **Accredited Service Provider (ASP).***

2. Validates, converts to PINT AE and transmits to the receiver **(Corner 2)**

   *The **ASP** checks the invoice to make sure it meets all UAE e-invoicing standards.*

3. Receives PINT docs, forwards to buyer, submits Message Level Status (MLS) after confirmation from C5 **(Corner 3).** *Once validated, the invoice is securely sent to the **buyer's ASP**.*

4. Receives Invoice in their accounting software or ERP **(Corner 4)**

   *The buyer gets the **invoice through their ASP**, ensuring accuracy and compliance.*

5. Receives tax data, validates & transmits to the central data platform **(Corner 5)**

   *At the same time, the ASP reports the invoice data in real-time to the **MoF/ FTA**, who collect and store it for compliance purposes.*

👉 Businesses will **not** connect directly to the government system. Instead, they must use an ASP approved by the MoF. While it is possible for a company to become an ASP **itself,** this is usually **costly** and complex, so most businesses will rely on **external accredited providers**.

Ministerial Decisions 243 of 2025 (on the Electronic Invoicing System) and Ministerial Decision 244 of 2025 (on the Implementation of the Electronic Invoicing System), issued on 29 September 2025 by the Ministry of Finance (MoF), establish the legal framework for e-invoicing and clear the way for its full implementation in the UAE

1. **Legal Framework Established**

✓ *Ministerial Decision No. 243 of 2025 lays down the **rules, scope and obligations** of the UAE Electronic Invoicing System supported by Decision No. 244 of 2025 for phased implementation.*

2. **Scope of Application**

✓ *The system applies to all **taxable persons** in the UAE, any business **voluntarily adopting e-invoicing** and any other person designated by the Ministry.*

3. **Exclusions Defined.**

✓ *Business-to-Consumer **(B2C)** transactions are **excluded** from mandatory implementation **until** a separate ministerial decision brings them into scope.*

4. **Accredited Service Providers Mandatory.**

✓ *All businesses must issue, transmit and store e-invoices & credit notes through **Accredited Service Providers (ASPs)** approved by the Ministry and the FTA.*

5. **Pilot Programme (1 July 2026).**

✓ *A Taxpayer Working Group will test the system starting 1 July 2026 under Ministry supervision. Participation requires written consent and compliance with technical standards.*

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6. **Voluntary Adoption (from 1 July 2026).**

✓ *Businesses may **voluntarily** adopt e-invoicing **from 1 July 2026**, provided they **comply** with technical requirements and onboarding procedures.*

7. **Mandatory Implementation – Phased Timelines.**

   - ⊗ *Revenue ≥ **AED 50M** → Appoint ASP by 31 Jul **2026;** Go-Live by 1 Jan **2027.***
   - ⊗ *Revenue **< AED 50M** → Appoint ASP by 31 Mar **2027**; Go-Live by 1 Jul **2027**.*
   - ⊗ ***Government** Entities → Appoint ASP by 31 Mar **2027**; Go-Live by 1 Oct **2027.***

8. **Technical & Onboarding Compliance.**

✓ *All entities must comply with **onboarding procedures** and **technical standards** set by the Ministry and FTA (covering integration, data formats, security, etc.).*

9. **Revenue Definition.**

✓ *Revenue is based on **gross income in the most recent accounting period as per financial statements** or other documentation acceptable to the FTA.*

10. **Enforcement & Publication.**

✓ *Decision No. **244 is effective upon publication in the Official Gazette a**nd is legally binding on all covered businesses.*

Recent Update: Administrative Penalties Issued for E-Invoicing Non-Compliance

On **24 November 2025**, the **UAE Ministry of Finance (MoF)** issued **Cabinet Decision No. 106 of 2025**, introducing a comprehensive schedule of **violations and administrative penalties** for failures related to the **Electronic Invoicing System**.

These penalties apply to both **Issuers** and **Recipients** of electronic invoices and credit notes, and they form a critical part of the enforcement framework that supports the national E-Invoicing rollout.

Table annexed to Cabinet Decision No. 106 of 2025 on The Violations and Administrative Penalties Resulting from the Violations of the Legislation Regulating the Electronic Invoicing System:

No.	***Description of Violation***	***Administrative Penalty Amount***
1.	Failure by the Issuer to implement the Electronic Invoicing System including the failure to appoint an Accredited Service Provider within the timeline prescribed by the Minister.	AED 5,000 in case of delay for each month or part thereof.
2.	Failure by the Issuer to issue and transmit an Electronic Invoice to the Recipient through the Electronic Invoicing System within the timeline prescribed by the Minister.	AED 100 for each Electronic Invoice up to a maximum of AED 5,000 per calendar month.
3	Failure by the Issuer to issue and transmit an Electronic Credit Note to the Recipient through the Electronic Invoicing System within the timeline prescribed by the Minister	AED 100 for each Electronic Credit Note up to a maximum of AED 5,000 per calendar month
4	Failure by the Issuer to notify the Authority of a System Failure	AED 1,000 for each day of delay

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	within the timeline prescribed by the Minister	Or part thereof
5	Failure by the Recipient to notify the Authority of a System Failure within the timeline prescribed by the Minister	AED 1,000 for each day of delay Or part thereof.
6	Failure by the Issuer or the Recipient to notify the appointed Accredited Service Provider of changes to the data registered with the Authority within the timeline prescribed by the Minister.	AED 1,000 for each day of delay or part thereof.

Conclusion

The UAE's e-invoicing transition marks a major step toward a fully digital and transparent tax ecosystem. With the adoption of the PEPPOL-based 5-corner model and the upcoming phased rollout, businesses must now accelerate their readiness by upgrading ERP systems, integrating with Accredited Service Providers, and aligning invoicing processes with PINT-AE standards.

The introduction of **Cabinet Decision No. 106 of 2025** further **reinforces the urgency** as non-compliance such as delayed implementation, failure to issue e-invoices or credit notes or not notifying system failures can trigger penalties ranging from **AED 100 per document to AED 1,000 per day, and up to AED 5,000 per month**.

Preparing early will not only ensure smooth adoption and penalty avoidance but will position businesses to benefit from stronger controls, improved operational efficiency, and a more digitally integrated tax environment.

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