



The 2025 VAT Compliance Guide for Businesses in the UAE

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The UAE introduced Value Added Tax (VAT) in 2018, and since then, compliance has become an essential aspect of business operations. In 2025, new regulations will require businesses to adapt their processes to align with updated requirements, including digital tools and stricter reporting.

These changes highlight the importance of maintaining accurate records, adopting FTA-recommended software, and staying compliant to avoid financial penalties and operational setbacks.

This guide focuses on the latest VAT compliance requirements for 2025.

It explains the introduction of electronic invoicing, changes to record-keeping practices, and updates to penalties for non-compliance. The guide also provides actionable steps for businesses to implement the necessary changes, prepare for regulatory updates, and maintain smooth operations under the updated framework.



Key Updates for VAT in 2025

Electronic Invoicing

By July 2026, e-Invoicing UAE will become mandatory for B2B and Business-to-Government (B2G) transactions. This is part of a larger government initiative to streamline invoicing processes, reduce paper usage, and ensure compliance with global tax regulations. The UAE's e-invoicing framework is built on the Peppol 5-corner model, ensuring a standardized and efficient invoicing system across businesses.

Changes in Record-Keeping Requirements

Businesses must maintain organized and accessible records for all transactions, including invoices, receipts, and supporting documents, with a focus on digital storage. This update aligns with the anticipated electronic invoicing system rollout.

FTA Recommended Software

To comply with UAE VAT regulations, businesses must use accounting software recommended by the Federal Tax Authority (FTA).

This includes Zoho Books, TallyPrime, QuickBooks Online, Odoo, and FirstBit ERP, each offering features like VAT-compliant invoicing, automated VAT calculations, and financial reporting. Businesses must use these tools to meet the updated regulatory standards, including automated VAT calculations and streamlined reporting.

Revised Penalties

Non-compliance penalties have increased, with significant fines for late filings, inaccurate reporting, or incomplete records. Staying prepared can help avoid unnecessary financial risks.



Steps to Prepare for VAT

This update aligns with the anticipated electronic invoicing system rollout.

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Verify VAT Registration

- ◆ Ensure that your Tax Registration Number (TRN) is accurate and active.
- ◆ Check if your business turnover meets the mandatory VAT registration threshold of AED 375,000.

Implement Approved Digital Systems

- ◆ Choose software recommended by the FTA for VAT calculations and reporting.
- ◆ Test these systems to ensure accurate invoicing and record-keeping ahead of full implementation deadlines.

Update Internal Processes

- ◆ Align your invoicing and reporting procedures with the electronic invoicing requirements.
- ◆ Train your finance team on new tools and filing methods.

Regular Audits

- ◆ Conduct periodic reviews of VAT-related transactions to identify and address discrepancies early.
- ◆ Ensure that records align with updated requirements.

Submit Returns on Time

- ◆ File VAT returns on or before the 28th of the month following the relevant tax period.
- ◆ Use FTA's portal or approved tools for submissions to minimize errors.



Practical Considerations for Businesses

Adapt to New Reporting Methods

Shift from manual processes to digital systems that meet compliance standards. Early preparation can reduce last-minute complications.

Collaborate with Experts

Work with tax professionals who are familiar with the updated laws to address specific concerns and complex scenarios.

Stay Updated with FTA Announcements

Keep track of announcements related to VAT changes to ensure your business aligns with new rules.

Focus on Industry-Specific Rules

Businesses in specialized sectors like exports, renewable energy, and healthcare should review VAT refund mechanisms tailored to their industries.



The 2025 updates to VAT regulations in the UAE require businesses to align with stricter compliance measures and adopt new technologies for filing and reporting.

Adhering to these regulations is essential to maintain proper operations and avoid financial penalties. Preparing early, keeping records accurate, and understanding the latest requirements will help businesses meet these obligations efficiently.

Our services include implementing FTA-approved accounting systems, assisting with VAT filings, and maintaining proper records.

With extensive experience across various industries, our team offers practical guidance to help businesses address their VAT obligations effectively and maintain compliance.

Connect with our experts to manage your VAT processes confidently and focus on achieving your business goals.

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