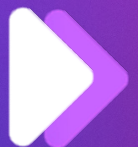**Driving Digital Transformation**

# UAE'S 2026 E-INVOICING INITIATIVE FUELS AMBITIOUS ECONOMIC INNOVATION

Introduction

On October 24, 2024, the UAE Ministry of Finance (MoF) launched its e-invoicing website, marking a significant step towards transforming the invoicing process. Businesses and governmental entities are set to benefit greatly from this innovative approach, which focuses on simplification, standardization, and automation.

The new system will enable the near-instantaneous exchange of invoices, facilitating smoother & more efficient tax reporting to the UAE Federal Tax Authority.

An e-invoice is a structured, digital format of invoice data, electronically issued and exchanged between a supplier and a buyer, with direct reporting to the UAE Federal Tax Authority. It is important to note that unstructured formats, such as PDFs, Word documents, images, scanned copies, and emails, do not qualify as e-invoices.
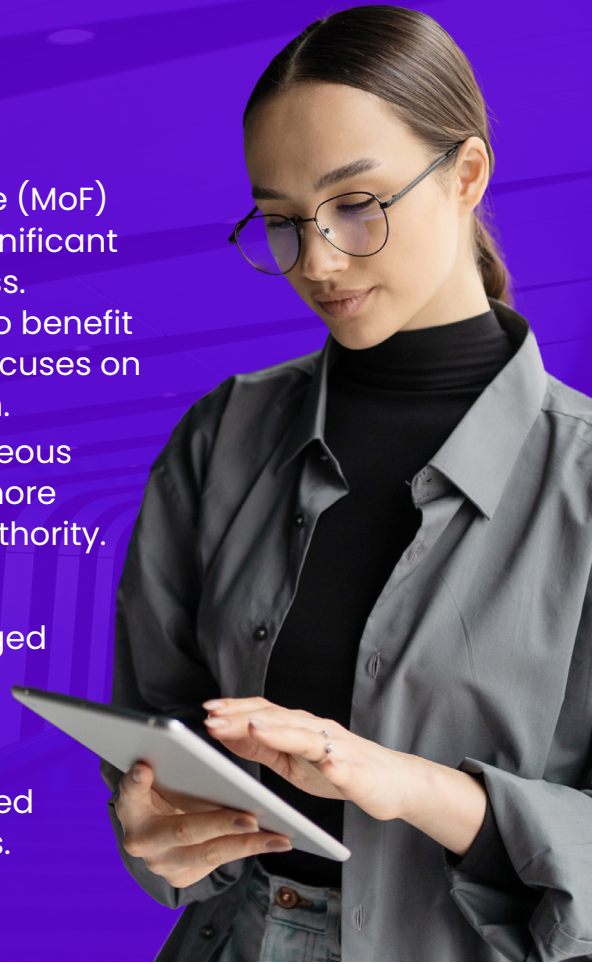
Driving Digital Transformation and Economic Resilience through e-Invoicing in the UAE

Adopting e-invoicing in the UAE will drive a more digitally enabled fiscal landscape, minimizing human intervention in business and tax processes. This shift enhances cost-efficiency, accelerates operations, and reduces paper usage, supporting sustainability goals.

By establishing an e-invoice community, the UAE fosters a digital economy and nurtures digital expertise. E-invoicing plays a pivotal role in mitigating VAT leakage—both inadvertent and deliberate—by promoting transparency and enabling big data analysis.

With encrypted transactions, it strengthens security, curbing fraud and unauthorized access. Near real-time access to transaction data will empower policymakers with insights to better support targeted sectors, ultimately fueling economic growth and competitiveness.

Unlocking Efficiency, Transparency, and Growth for the Business Community through e-Invoicing

With 82% of UAE businesses being micro-enterprises under AED 3 million in annual turnover, e-invoicing levels the playing field by offering affordable, cutting-edge technology.

Success stories from other countries show that e-invoicing can cut invoice processing costs by up to 66% for businesses and governments.

By automating and standardizing invoice creation and exchange, e-invoicing minimizes errors, enables near real-time delivery, and boosts working capital through faster payments.

Machine-readable formats unlock vast potential for analysis and proactive decision-making.
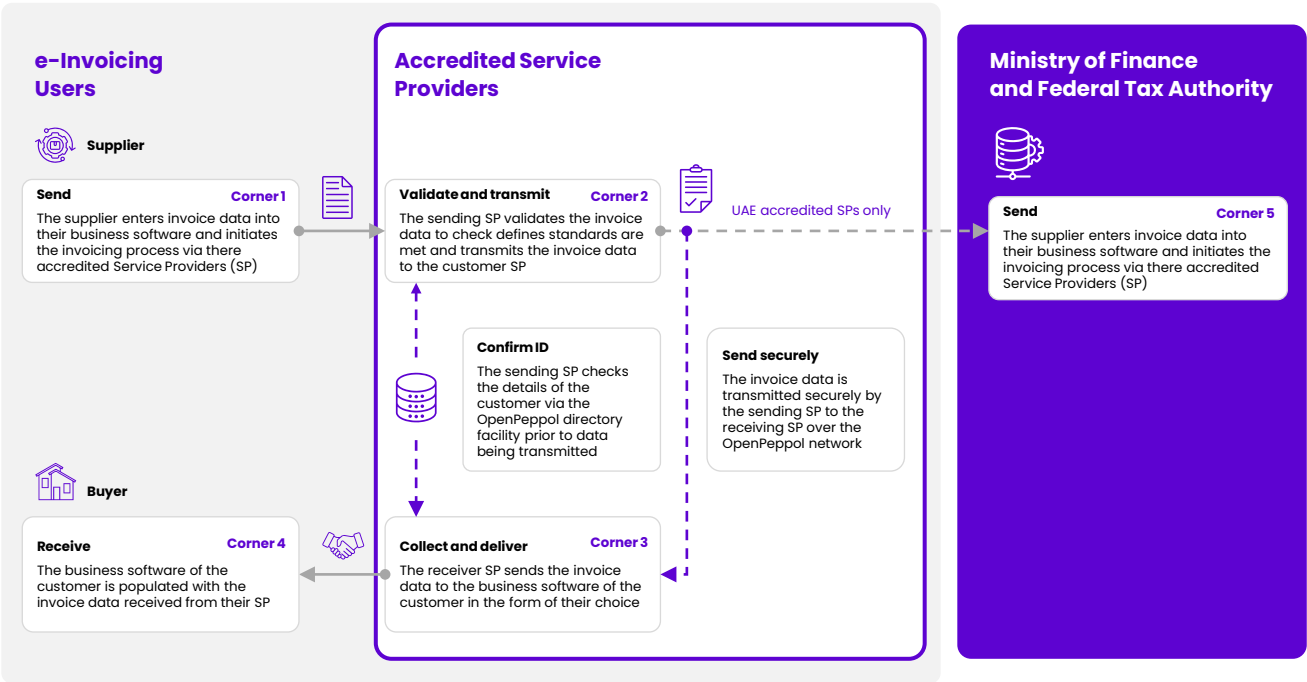
Adopting standards like OpenPeppol also connects UAE businesses globally, while automatic tax reporting to the FTA simplifies VAT returns and speeds up refunds.

Enabling Secure, Seamless Global e-Invoicing with the Decentralized PEPPOL Model

The UAE has embraced the decentralized 5-corner model for e-invoicing, leveraging the PEPPOL (Pan-European Public Procurement Online) framework— a global, standardized network that enables secure electronic document exchange for businesses worldwide.

This model allows suppliers and customers to send e-invoices through the PEPPOL network using an Accredited Service Provider, with no pre-approval needed from the Ministry of Finance (MoF) or the Federal Tax Authority (FTA).

e-Invoicing Users

Supplier

Send — **Corner 1**
The supplier enters invoice data into their business software and initiates the invoicing process via there accredited Service Providers (SP)

Buyer

Receive — **Corner 4**
The business software of the customer is populated with the invoice data received from their SP

Accredited Service Providers

Validate and transmit — **Corner 2**
The sending SP validates the invoice data to check defines standards are met and transmits the invoice data to the customer SP

UAE accredited SPs only

Confirm ID
The sending SP checks the details of the customer via the OpenPeppol directory facility prior to data being transmitted

Send securely
The invoice data is transmitted securely by the sending SP to the receiving SP over the OpenPeppol network

Collect and deliver — **Corner 3**
The receiver SP sends the invoice data to the business software of the customer in the form of their choice

Ministry of Finance and Federal Tax Authority

Send — **Corner 5**
The supplier enters invoice data into their business software and initiates the invoicing process via there accredited Service Providers (SP)

Key Insights
Highlighted Below

1. According to the MoF's clarification, the e-invoicing model must be applied to all **business-to-business (B2B) and business-to-government (B2G)** transactions, irrespective of the VAT registration status of the entities involved.

2. The UAE Ministry of Finance (MoF) has clarified that each **VAT group** member in the UAE must be individually connected to an ASP while utilizing the group's TRN. When issuing an invoice, the group's Tax Registration Number (TRN) should be used, but the endpoint details must correspond to the specific member handling the transaction.

3. For **export transactions**, if the foreign buyer is registered within the PEPPOL network, their specific electronic endpoint must be used when issuing the invoice. This ensures the invoice is exchanged securely through the network. However, if the foreign buyer is not registered within the PEPPOL network, a "dummy" endpoint should be utilized instead. In this case, the invoice can be sent outside the network, for example, via email, to facilitate the transaction. This approach ensures compliance with e-invoicing requirements while accommodating buyers who are not yet part of the PEPPOL network.
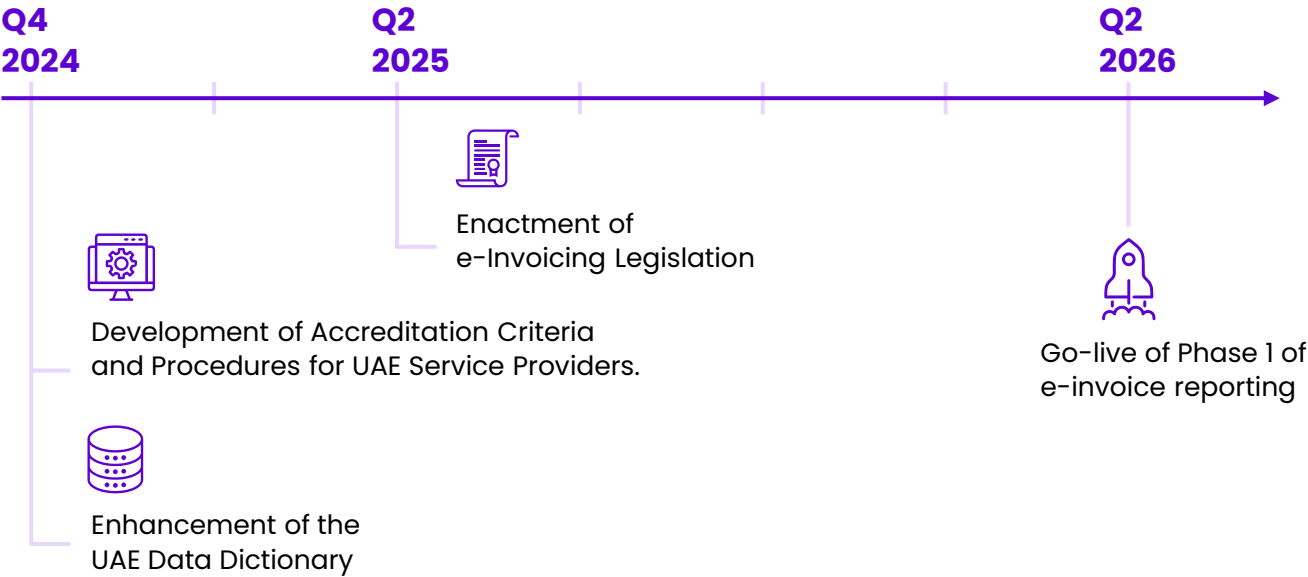
4. In **self-billing situations**, the buyer is responsible for generating and exchanging the e-invoice with the seller, as well as reporting it to the FTA through an Accredited Service Provider (ASP). This process aligns with the current VAT legislation requirements.

5. If validation **errors** are detected, the ASP must return the invoice to the issuer for correction. Additionally, if errors are found in tax invoices, the supplier is required to issue a credit note to rectify the issue.

Seamless Transition Ahead: Proposed Timelines for e-Invoicing Implementation

The VAT exemption for financial services in Article 42 of the VAT ER has been extended to include the following activities:

Q4 2024

Q2 2025

Q2 2026

Development of Accreditation Criteria and Procedures for UAE Service Providers.

Enhancement of the UAE Data Dictionary

Enactment of e-Invoicing Legislation

Go-live of Phase 1 of e-invoice reporting

Prepare, Integrate, and Innovate: Unlock the Future of Effortless e-Invoicing!

As e-invoicing becomes a crucial part of business operations, it's highly recommended that businesses begin preparing for its implementation.

To stay ahead, it's important to familiarize yourself with the e-invoicing process and the specific data requirements.

Key steps include partnering with an Accredited Service Provider once the Ministry of Finance (MoF) publishes the list of approved providers and testing the integration of e-invoice creation and validation workflows.

Explore the MoF's comprehensive e-invoicing framework at **https://mof.gov.ae/einvoicing/**.

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