الهيئة الاتحادية للضرائب
FEDERAL TAX AUTHORITY

United Arab Emirates

This is not an official translation:

Cases and Conditions for the Recovery of Input Tax on Employee Expenses

Federal Tax Authority Decision No. 17 of 2026 – Issued 9 Sep 2026 (Effective from 1 Oct 2026)

The Chairman of the Board of Directors of the Federal Tax Authority has decided:

- having reviewed the Constitution,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 8 of 2017 on Value Added Tax, and its amendments,
- Cabinet Decision No. 52 of 2017 on the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax, and its amendments,
- Decision of the Chairman of the Board of Directors of the Authority No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority, and
- pursuant to the approval of the Authority's Board of Directors of the memo relating to the Cases and Conditions for the Recovery of Input Tax incurred on Employee Expenses, at its 45th meeting held on 23/06/2026.

Article 1 – Scope of Application

The provisions of this Decision shall apply to Taxable Persons when recovering or deducting the Input Tax incurred on the purchase of Goods or Services to be used by employees for no charge to them, where there is a contractual obligation or documented policy to provide such Goods or Services to those employees, in accordance with the provisions of Sub-clause 2 of Paragraph (c) of Clause 1 of Article 53 of Cabinet Decision No. 52 of 2017 referred to above.

Article 2 – Cases and Conditions for Recovery

Taxable Persons may recover or deduct Input Tax incurred when purchasing Goods or Services to be used by employees for no charge to them, in accordance with the following cases:

1. Input Tax incurred on employee transportation expenses, provided that all the following conditions are met:
    a. The transportation Service is provided only between the employee's place of residence and the workplace or to clients' premises, or for any other purposes directly related to the performance of job duties.
    b. The Service is not used for the employee's personal benefit.
    c. The employee is not able to opt to receive a cash allowance or any financial compensation in lieu of the transportation Service.
2. Input Tax incurred on expenses for providing food and beverages to employees, provided that all the following conditions are met:
    a. The employee's place of residence is located in a remote, distant, or isolated area.
    b. Appropriate services or facilities for preparing food are not available at the employee's place of residence or workplace, as the case may be, and there are no nearby restaurants or facilities from which the employee can easily obtain food and beverages.
    c. The provision of food and beverages is directly linked to the work period or residence period required due to the job.
    d. The employee is not able to opt to receive a cash allowance in lieu of the food and beverages provided.
3. Input Tax incurred on the expenses for providing accommodation/place of residence to the employee, provided that all the following conditions are met:
    a. The employee is not able to opt to receive a cash allowance or financial compensation in lieu of the accommodation provided.

b. The provision of accommodation is related to the operational requirements of the work and does not form part of the employee's benefits or ordinary compensation arrangements.

c. The nature or requirements of the work necessitate that the employee resides near the workplace, the work site, or the client's location.

d. The accommodation is designated exclusively for the residence of the relevant employee and does not include the residence of family members or any other personal use, except in the cases where the employee is required to reside permanently near the workplace, such that the accommodation constitutes the employee's usual place of residence.

e. The provided accommodation is commensurate with the job requirements and the basic residency needs, and the provided accommodation fixtures do not include significant recreational or personal elements, that would go beyond the primary purpose of providing the accommodation for work purposes.

4. Input Tax incurred on the expenses for providing accommodation/ place of residence to new employees, provided that all the following conditions are met:

   a. The period of providing the accommodation is temporary for a period no longer than 30 days.

   b. The accommodation provided is commensurate with the job requirements and basic residency needs.

5. Input Tax incurred on providing mobile phones, airtime, data packages, and internet access from the place of residence via a modem or router to the employees, provided that all the following conditions are met:

   a. The Goods and Services provided are necessary to enable the employee to perform his job duties, including outside normal working hours or from locations outside the workplace, such as in cases of remote working or work-related communication requirements.

   b. The use of the aforementioned Goods and Services is limited to work purposes, or any

personal use is incidental and insignificant, and does not constitute the primary purpose for which they are provided.

c. The employer implements a documented internal policy regulating the use of these Goods and Services, and clearly specifying the scope of permissible use as well as the consequences of any unauthorised use.

d. The employer demonstrates that there are reasonable monitoring mechanisms to track the use of these Goods and Services and verify employees' compliance with the approved policy, while maintaining relevant records and justifications where there is unauthorised use.

6. Input Tax incurred on parking fees for parking spaces allocated to employees, provided that all the following conditions are met:

a. The parking fees have been incurred solely for business purposes and are directly related to the employee's performance of job duties or to conduct business visits and related assignments.

b. The employer implements a documented internal policy regulating the cases where employees may be reimbursed for parking fees along with the approval mechanism applicable thereto.

c. Documents proving the payment of parking fees are retained, such as receipts showing the date, time, amount of the fees and the Tax paid.

Article 3 – Implementation of the Decision

This Decision shall be published in the Official Gazette and shall come into effect as of 1 October 2026.