

## Tax Insight | Input Tax Apportionment: New Rules, New Tools

### Updates to UAE Vat Input Tax Apportionment Guidance



## UPDATES TO UAE VAT INPUT TAX APPORTIONMENT GUIDANCE

The Federal Tax Authority (FTA) has issued a revised **Input Tax Apportionment Guide** ([VATGIT1](#), September 2025), which replaces the previous version dated March 2023. The updated guide reflects the amendments introduced to the UAE VAT Executive Regulations through Cabinet Decision No. 100 of 2024 and sets out several important changes that businesses should consider when calculating and applying input tax recovery methods.

### Key Highlights



#### New Glossary Section:

Clear definitions of key terms in one place, reducing ambiguity and aligning terminology with legislation and FTA Decisions.



#### Application Form:

Input Tax Apportionment application form section (which was present in the 2023 version) has been removed. the FTA has published it [separately](#).



#### Specified Recovery Percentage (SRP)

Clear definitions of key terms in one place, reducing ambiguity and aligning terminology with legislation and FTA Decisions.



### **Special Methods:**



Four methods remain (outputs-based, transaction count, floorspace, sectoral), but eligibility is now strictly tied to FTA Decision No. 8 of 2022, meaning the method must align with the list of eligible business types. Floorspace method clarified – excludes communal areas, lobbies, elevators.

### **Application Process:**



Applications must now be filed via the EmaraTax portal with detailed supporting documents (cover letter, 12 months' data, Excel workings). Only authorized signatories, tax agents, or court-appointed legal reps may apply. Applications by tax consultants or other third parties will be rejected. Applications initiated but not submitted within 40 business days will auto close.

### **FTA Review & Compliance:**



Review timelines remain 40 business days for non-sectoral methods and 60 business days for sectoral methods. Applicants must respond to FTA requests for additional information within 40 business days, failing to which the application will close automatically.

### **Actual Use Adjustment:**



Still triggered only if variance > AED 250k. But threshold must now be prorated if the tax year is shorter than 12 months.

### **Notification:**



Must notify FTA of >10% variance between actual recovery and the rate approved within 20 business days of identifying the variance.





### Renewal:

Renewal applications must be filed before expiry (4 years for SRP/non-sectoral; 2 years for sectoral). If not, the registrant must revert to the standard apportionment method immediately upon expiry.

## Key Amendments

The new guide introduces a dedicated glossary section which defines key VAT terms such as Apportionment Rate, Residual Input Tax, and the newly introduced Specified Recovery Percentage (SRP). In the 2023 guide, these definitions were provided in footnotes or contextually in the text.

The new guide also does not include the Input Tax Apportionment application form section (which was present in the 2023), the FTA published it [separately](#).

### Specified Recovery Percentage (SRP)

A major development is the introduction of the SRP mechanism. SRP is a preapproved fixed recovery rate based on the prior year's actual recovery ratio, allowed by an Executive Regulation amendment effective 15 Nov 2024. Only registrants with at least 12 months of VAT registration may apply for SRP, and they must be making both recoverable and non-recoverable supplies. SRP approval lets a business use the previous year's recovery percentage for all tax periods of the next year (instead of computing period-by-period) .

The guide details how to calculate SRP and scenarios: if a special method applies to the business, SRP should be based on that method's prior-year rate; if no special method is used, SRP is based on the standard method's rate . An SRP decision is valid for 4 years and the taxpayer will not be allowed to change the method for at least two years following the approval.

This option was not available in the 2023 guide and is expected to significantly simplify compliance for businesses with stable recovery ratios.

### Special Apportionment Methods

The same four special methods remain available: outputs-based, transaction count, floor space, and sectoral. The eligibility conditions remain broadly unchanged, but the 2025 guide formalizes that the chosen method must align with the type of business as specified in FTA Decision No. 8 of 2022, i.e. the method must align with the list of eligible business types).

Further, with respect to the Floorspace method, the updated Guide with respect to calculation of floorspace used by business, explicitly excludes communal spaces, elevator shafts and lobbies, treating them as used for both taxable and non-taxable purpose.

The FTA also provides a useful summary of applicable special methods, depending on the business type.

### Application Process



Previously, applications were submitted via email with a prescribed request form. The updated guide requires applications to be submitted electronically through the EmaraTax portal. Applicants must provide:

- a cover letter (including a detailed description of the business activities, the special Input Tax apportionment method to be used and the reasons for applying for a special Input Tax apportionment method),
- 12 months of historical apportionment calculations under both the standard and requested methods in Excel format, and
- additional supporting documentation if applying for SRP (i.e., the annual adjustment calculations covering the preceding Tax year, the proposed SRP to be used for the subsequent Tax year).

### **Eligible Person**

Previously application could be filed by the Applicant or Appointed Tax Agent or Appointed Legal Representative. The updated Guide however allows only the following persons to apply:

- Authorized signatory of the Registrant or the Registrant itself if the Registrant is a natural Person,
- The authorized signatory of the representative member of a Tax Group,
- A Tax Agent appointed by the Registrant, or
- The Legal Representative appointed by the court.

It explicitly states that applications by tax consultant or any other natural person on behalf of the Registrant will not be accepted.

### **FTA Review Process**

The review timeframe of 40 business days for non-sectoral methods and 60 days for sectoral methods remains unchanged. However, the new guide imposes stricter requirements. Applicants must respond to FTA requests for additional information within 40 business days, otherwise the application will be closed automatically. Incomplete applications in EmaraTax are also closed automatically after 40 days.

The FTA may withdraw the approval to use a special Input Tax apportionment method and/or SRP at any time – for example, if it considers that the method does not provide an accurate result or where such withdrawal is necessary for the protection of public revenues.

### **Actual use adjustment threshold**

Both the 2023 version and the updated 2025 version of the Guide state that actual use adjustment is required only if the variance between annual washup and actual use exceeds AED 250,000. The updated version goes further, following the 2024 amendment and states that if the Tax year is less than 12 months, the threshold of AED 250,000 needs to be prorated.

### **Changes Notifications**

The threshold for notifying the FTA remains a 10% difference between actual recovery and the rate approved. The new guide requires notification within 20 business days of identifying the difference whereas the previous guide did not specify a timeframe. Failure to notify or respond may lead to withdrawal of approval.



## Renewal of Approvals

Approval validity periods remain at four years for non-sectoral methods and SRP, and two years for sectoral methods. The new guide requires that renewal applications be submitted before the expiry of the current approval. If no renewal application is submitted on time, the registrant must revert to the standard apportionment method immediately upon expiry.

## Implications for Businesses

Businesses using special apportionment methods should review their existing recovery calculations and compliance processes in light of these changes.

The introduction of SRP presents an opportunity for eligible businesses to simplify their VAT compliance, but it also requires additional data and formal application. More stringent timelines for responding to FTA requests and notifying variances will necessitate tighter internal monitoring and controls.



**Andrey Nikonov**

Partner

[a.nikonov@pgp-legal.ae](mailto:a.nikonov@pgp-legal.ae)



**Maria Nikonova**

PhD, Partner

[m.nikonova@pgp-legal.ae](mailto:m.nikonova@pgp-legal.ae)



**Tatiana Antonova**

Senior Associate

[t.laskova@pgp-legal.ae](mailto:t.laskova@pgp-legal.ae)



**Shraya Thiyagarajan**

Associate

[shrayas.thiyagarajan@pgp-legal.ae](mailto:shrayas.thiyagarajan@pgp-legal.ae)



PGP Tax Consultancy LLC, The Offices 2, Level 3, One Central, Dubai World Trade Center, Dubai, UAE



PGP Legal Consultants FZ-LLC, B4-602B3, Business Center 04, RAKEZ Business Zone-FZ, RAK, UAE

+971 50 258 9570  
+971 54 417 3060

[www.pgp-legal.ae](http://www.pgp-legal.ae)