

UAE E-Invoicing Guidelines Version 1.1: What Changed in June 2026

7 key changes from the Ministry of Finance update — retention billing, advance payments, cloud storage, free zones, intra-group transactions, scope for non-VAT businesses, and pilot phase — by Perfonec Computers, Dubai

WHAT IS VERSION 1.1?

On 1 June 2026, the UAE Ministry of Finance released Version 1.1 of its Electronic Invoicing Guidelines. This is the most significant regulatory update since the original Ministerial Decisions of September 2025. It introduces new rules on retention billing, advance payments, offshore data storage, free zone scope, intra-group grace periods, and confirms the July 2026 pilot phase.

Summary of the 7 Key Changes in Version 1.1

Change	What Changed	Who Is Affected
1. Retention billing	E-invoice must show net payable only. Separate invoice for retention when released.	Construction, contracting, real estate
2. Advance payments	E-invoice must be issued at time of advance receipt, not at final delivery.	All businesses receiving deposits
3. Cloud/offshore storage	Offshore and cloud data storage now explicitly permitted if FTA-retrievable.	Zoho Books, QuickBooks Online, Odoo Online users
4. Intra-group grace	Transactions within a UAE VAT group exempt until 1 January 2029.	Corporate groups with UAE VAT groups
5. Non-VAT businesses	Confirmed in scope — must issue commercial e-invoices for B2B transactions.	Businesses below AED 375,000 VAT threshold
6. Free zones in scope	DMCC, JAFZA, IFZA, RAKEZ, ADGM, DIFC explicitly confirmed — no exemption.	All UAE free zone businesses
7. Pilot from July 2026	Voluntary pilot begins 1 July 2026 — recommended for all businesses.	All UAE businesses

Change 1 — Retention Billing (Construction and Contracting)

Each e-invoice must reflect only the net amount payable at that billing event, with UAE VAT applied to the net figure. A separate electronic tax invoice must be issued for the retained amount when it is released and payable.

ACTION REQUIRED

UAE construction and contracting businesses must reconfigure their invoice templates in Odoo, QuickBooks, TallyPrime, or Zoho Books to show net payable amounts after retention deduction. A separate e-invoice for the retention release is required.

Change 2 — Advance Payments and Deposits

When an advance payment is received, an electronic tax invoice must be issued immediately at the time of receipt — not at final delivery. The final invoice must reference the advance invoice and deduct the amount already declared.

ACTION REQUIRED

If your business issues pro-forma invoices or deposit receipts that are not formal tax invoices, your invoicing workflow must be updated. Every advance payment must generate a formal UAE VAT-compliant electronic tax invoice at the moment it is received.

Change 3 — Cloud and Offshore Data Storage Now Permitted

Version 1.1 explicitly confirms that e-invoice data may be stored on offshore or cloud servers outside the UAE — provided the data is fully retrievable by the FTA on request. This resolves uncertainty for businesses using international cloud accounting platforms.

GOOD NEWS FOR CLOUD USERS

Zoho Books, QuickBooks Online, and Odoo Online users do not need to migrate accounting data to UAE-based servers. Your existing cloud platform remains compliant provided your ASP integration is in place and data is retrievable by the FTA.

Change 4 — Intra-Group Transactions: Grace Period to January 2029

Transactions between entities within the same UAE VAT group benefit from a 24-month grace period starting from 1 January 2027. Mandatory e-invoicing for these transactions does not apply until 1 January 2029. This applies only to transactions within a UAE VAT group — not to transactions between related companies under separate VAT registrations.

Updated Mandatory Deadlines After Version 1.1

Business Category	ASP Appointment	Mandatory Go-Live
Revenue AED 50M or above	30 October 2026 (extended)	1 January 2027
All other VAT-registered SMEs	31 March 2027	1 July 2027
Government entities	31 March 2027	1 October 2027
Intra-group (UAE VAT groups)	Grace period applies	1 January 2029
Pilot phase — voluntary	From 1 July 2026	No penalty

DEADLINE WARNING

The ASP appointment deadline extension to 30 October 2026 applies only to Phase 1 businesses. The go-live date of 1 January 2027 has NOT been extended. Perfonec recommends all Phase 1 businesses appoint their ASP and begin integration immediately to allow sufficient testing time before January 2027.

What Version 1.1 Does NOT Change

- PINT AE XML format remains mandatory — PDF invoices alone are not valid for B2B
- Peppol 5-corner model remains the architecture — invoices must flow through ASPs
- B2C transactions remain exempt from the mandatory e-invoicing requirement
- Penalty schedule unchanged — AED 5,000/month for non-implementation; AED 100/invoice
- Data retention of 5 to 7 years unchanged — 7 years where Corporate Tax applies
- System failures must still be reported to the FTA within 2 business days

Action Checklist — What Your UAE Business Must Do Now

Construction and contracting businesses

Reconfigure invoice templates for net payable retention billing and separate retention release invoices.

Businesses receiving advance payments

Confirm your accounting software issues a formal tax invoice at time of advance receipt.

Cloud platform users (Zoho, QuickBooks Online, Odoo Online)

Confirm ASP integration is in place — offshore storage is compliant under Version 1.1.

Corporate groups with UAE VAT groups

Identify which intercompany transactions qualify for the January 2029 grace period.

Free zone businesses

Confirm e-invoicing scope and check if your transactions require beneficiary data fields.

Non-VAT-registered businesses doing B2B

You are in scope. Begin ASP evaluation and accounting software configuration now.

All UAE businesses

Enter the July 2026 pilot phase with your ASP integration ready — test before your deadline.


About Perfonec Computers


Perfonec Computers provides complete UAE e-invoicing implementation for Odoo, QuickBooks, TallyPrime, and Zoho Books — including Version 1.1 compliance updates, ASP integration, PINT AE audit, retention billing configuration, advance payment workflow review, free zone mapping, and pilot phase testing. Authorised partner for all four platforms. Dubai-based team.


Free UAE e-invoicing readiness assessment available.

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Based on UAE Ministry of Finance Electronic Invoicing Guidelines Version 1.1 (1 June 2026), Ministerial Decisions No. 243 and 244 of 2025, and Cabinet Decision No. 106 of 2025. Verify current requirements at mof.gov.ae and tax.gov.ae. For general guidance only — not legal or tax advice.