UAE E-Invoicing Penalties 2027

Cabinet Decision No. 106 of 2025 — Complete Fine Schedule and Compliance Guide

Everything UAE VAT-registered businesses need to know about the penalty schedule for non-compliance with UAE mandatory e-invoicing — fine amounts, how they are calculated, who they apply to, what the pilot phase means, and how to avoid every penalty. By Perfonec Computers — authorised for QuickBooks, TallyPrime, Zoho Books, Odoo, and Sage 50.

PENALTY	AMOUNT	CAP	APPLIES TO
Failure to implement e-invoicing	AED 5,000/month	No cap	Any business that misses their go-live deadline
Non-compliant invoice issued	AED 100/invoice	AED 5,000/month	Any invoice that does not meet PINT AE requirements
Pilot phase — any error	ZERO — no penalty	N/A	All businesses — pilot phase open from 1 July 2026

1. What Is Cabinet Decision No. 106 of 2025?

Cabinet Decision No. 106 of 2025 is the UAE government regulation that sets out the penalty schedule for non-compliance with UAE mandatory e-invoicing. It was issued to back up Ministerial Decisions No. 243 and 244 of 2025, which made UAE e-invoicing mandatory for all VAT-registered businesses. Under this decision, two types of financial penalties apply to UAE businesses that do not implement e-invoicing by their mandatory deadline.

THE TWO PENALTIES UNDER CABINET DECISION NO. 106 OF 2025

Cabinet Decision No. 106 of 2025 establishes two penalties: AED 5,000 per month for any VAT-registered business that fails to implement UAE mandatory e-invoicing by their mandatory go-live date, and AED 100 per non-compliant invoice issued after the mandatory go-live date, capped at AED 5,000 per month. These penalties apply regardless of which accounting software you use or whether you were unaware of the requirement.

2. Penalty 1 — AED 5,000 Per Month for Failure to Implement

The first penalty applies to any UAE VAT-registered business that has not implemented UAE mandatory e-invoicing by their mandatory go-live date. This penalty is AED 5,000 per month and has no upper cap — it continues every month until the business becomes compliant.

Who it applies to

Every UAE VAT-registered business that misses their mandatory go-live date. This includes large businesses (AED 50M+ revenue, go-live 1 January 2027), all other VAT-registered SMEs (go-live 1 July 2027), and government entities (go-live 1 October 2027). There is no size exemption and no grace period after the mandatory go-live date.

How the AED 5,000/month is calculated

The AED 5,000 monthly penalty starts on the day after your mandatory go-live date if your business has not implemented UAE mandatory e-invoicing. It continues every calendar month until your business is fully compliant and transmitting PINT AE XML invoices through the UAE Peppol network via an FTA-approved ASP.

What counts as not implementing

Not implementing means any of the following: not having appointed an ASP by the ASP appointment deadline, not transmitting any invoices through the Peppol network after the go-live date, or continuing to send PDF invoices by email instead of PINT AE XML through Peppol. A business that has started setup but not completed it by the go-live date is still liable for this penalty.

What this penalty costs over time

AED 5,000 per month means AED 60,000 per year for continued non-compliance. For a business that delays implementation by 6 months after the mandatory deadline, the total penalty exposure from Penalty 1 alone is AED 30,000. This does not include Penalty 2 for individual non-compliant invoices.

3. Penalty 2 — AED 100 Per Non-Compliant Invoice

The second penalty applies to every individual invoice issued after the mandatory go-live date that does not meet the PINT AE XML requirements. This penalty is AED 100 per invoice, capped at AED 5,000 per calendar month.

What counts as a non-compliant invoice

A non-compliant invoice is any B2B invoice issued after the mandatory go-live date that was not transmitted through the UAE Peppol network as a valid PINT AE XML invoice. This includes PDF invoices sent by email, invoices with missing PINT AE fields, invoices that failed ASP validation and were never transmitted, and invoices issued through an accounting platform that was not connected to an FTA-approved ASP.

How the AED 100 cap works

The AED 100 per invoice penalty is capped at AED 5,000 per calendar month. This means that if a business issues 100 or more non-compliant invoices in a single month, the maximum Penalty 2 exposure for that month is AED 5,000 — not AED 100 × every invoice. However, Penalty 1 (AED 5,000/month for not implementing) still applies on top of this cap. Therefore, the maximum combined penalty per month is AED 10,000.

Real-world example

A UAE SME with go-live deadline of 1 July 2027 continues to send PDF invoices by email and issues 80 B2B invoices in July 2027. Penalty 1 applies: AED 5,000 for failure to implement. Penalty 2 applies: AED 100 × 80 invoices = AED 8,000 — but capped at AED 5,000. Total penalty for July 2027: AED 10,000. This repeats every month until the business becomes compliant.

4. UAE E-Invoicing Penalty Calculator — What Delay Costs

The table below shows the total penalty exposure for a UAE VAT-registered SME (go-live deadline 1 July 2027) that delays implementation by various periods. This assumes 50 non-compliant invoices per month after the deadline.

Delay After Deadline	Penalty 1 Total	Penalty 2 Total	Combined Total	Cost Per Day
1 month late	AED 5,000	AED 5,000	AED 10,000	~AED 333
3 months late	AED 15,000	AED 15,000	AED 30,000	~AED 333
6 months late	AED 30,000	AED 30,000	AED 60,000	~AED 333
12 months late	AED 60,000	AED 60,000	AED 120,000	~AED 333

5. The Pilot Phase — No Penalties, Full Testing

PILOT PHASE — ZERO FINANCIAL PENALTIES FROM 1 JULY 2026

The UAE e-invoicing pilot phase has been open since 1 July 2026 and carries NO financial penalties for any technical failures during testing. This includes failed PINT AE validation, rejected Peppol transmissions, wrong VAT codes, missing fields, and any other technical error. The pilot phase is the safest period for UAE businesses to implement and test their e-invoicing setup before the mandatory deadline counts.

- The pilot phase started on 1 July 2026 and is open to all UAE VAT-registered businesses
- No financial penalties apply to any invoice transmitted during the pilot phase — even if it fails PINT AE validation
- Pilot phase testing is the best time to find and fix data quality issues in your accounting software
- Businesses that complete setup during the pilot phase have months of testing before their mandatory deadline
- The pilot phase does not replace the mandatory deadline — it is testing time before penalties begin
- A business that goes live in the pilot phase and has issues is still protected from penalties
- Starting the pilot phase now gives the maximum buffer before the January 2027 or July 2027 deadline

6. Mandatory Deadlines — When Penalties Begin

Penalties under Cabinet Decision No. 106 of 2025 only apply AFTER the mandatory go-live date. The table below shows exactly when each business category must be live and when penalties begin to apply.

Business Category	ASP Appointment	Go-Live Date	Penalties Begin
Revenue AED 50M or above	30 October 2026 (extended)	1 January 2027	2 January 2027
All other VAT-registered SMEs	31 March 2027	1 July 2027	2 July 2027
Government entities	31 March 2027	1 October 2027	2 October 2027
Intra-group transactions	Grace period to 1 Jan 2029	1 January 2029	2 January 2029
Pilot phase — all businesses	From 1 July 2026	No penalty	NO PENALTIES

7. How to Avoid Every UAE E-Invoicing Penalty

Every penalty under Cabinet Decision No. 106 of 2025 is completely avoidable. The only requirement is implementing UAE mandatory e-invoicing before your mandatory go-live date. Here is what you need to do for each major UAE accounting platform.

Platform	E-Invoicing Solution	How to Avoid All Penalties
TallyPrime 7.0	Native Peppol — built-in	Configure built-in Peppol access point — fastest setup, 2-4 weeks, no ASP subscription needed
TallyPrime 9 / older	Upgrade to TallyPrime 7.0	Upgrade to TallyPrime 7.0 with Perfonec — full data migration, 2-4 weeks
QuickBooks	QBESync by Perfonec	Install QBESync — connects QB Desktop 2017-2024 and Online to UAE Peppol via Perfonec ASP
Zoho Books	External ASP	Connect Zoho Books to FTA-approved ASP via API — Perfonec manages as Zoho Partner
Odoo ERP	OESync by Perfonec	Install OESync — connects Odoo 16/17/18 to UAE Peppol via Perfonec ASP
Sage 50	Middleware + ASP	Set up middleware and ASP connection — Perfonec manages as Sage authorised reseller

8. Common Questions About UAE E-Invoicing Penalties

Do penalties apply during the pilot phase?

No. The pilot phase from 1 July 2026 carries no financial penalties for any technical failures. You can test, fail, fix, and retest without any penalty risk during the pilot phase.

Do penalties apply if I am still setting up by my deadline?

Yes. If your business has not completed implementation and gone live by the mandatory go-live date, the AED 5,000/month penalty begins the day after your deadline — even if setup is in progress.

Do penalties apply to free zone businesses?

Yes. All UAE VAT-registered free zone businesses — DMCC, JAFZA, IFZA, DIFC, ADGM, RAKEZ — are in scope for UAE mandatory e-invoicing and are subject to the same penalty schedule.

Do penalties apply to B2C invoices?

No. UAE mandatory e-invoicing and the associated penalties apply to B2B invoices only — invoices between two UAE VAT-registered businesses. B2C invoices (to end consumers) are not subject to the e-invoicing mandate.

What if my software supplier is not ready?

The penalty applies to your business — not your software supplier. If your accounting software does not support UAE e-invoicing by your deadline, you are still liable for the penalties. This is why choosing a software partner with an e-invoicing solution ready before your deadline is critical.

Can penalties be waived?

The UAE FTA has the authority to apply or waive penalties at its discretion. However, no general waiver has been announced. The safest approach is to implement before your mandatory deadline rather than rely on a potential waiver.

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Based on Cabinet Decision No. 106 of 2025, UAE Ministry of Finance Electronic Invoicing Guidelines Version 1.1 (June 2026), and Ministerial Decisions No. 243 and 244 of 2025. For general guidance only — not legal or tax advice. Verify penalty schedule with your legal adviser or the UAE FTA.