

VAT update on Redetermination of administrative penalties levied (TAXP002)

UAE Federal Tax Authority ("FTA") has issued Tax public clarification (TAXP002), which contains detailed information for recent change made in administrative penalty under Cabinet Resolution No. (49) of 2021. This decision has been considered as concessionary measure aimed to help businesses. This clarification will give business more clarity for redetermination of penalty imposed as per the old penalty regime.

Cabinet decision No. 49 of 2021 gives FTA the ability to redetermine the amounts of unpaid administrative penalties, which were imposed on taxable person under Cabinet Decision No. 40 of 2017. To get the benefit of reduction in penalty taxable person must satisfy the following conditions:

1. Any of the administrative penalties should have been imposed on the taxable person before 28 June 2021)
2. The person has not settled the administrative penalties imposed on it in full before 28 June 2021
3. The taxable person has also satisfied the following conditions:
 - Taxable person shall ensure that would settle all payable tax and FTA would receive all amount by December 31, 2021 and
 - Taxable person would pay **30%** of the total unsettled administrative penalties before 31 December 2021

Where the above conditions are met, the FTA will, at the end of 2021, redetermine the administrative penalties payable the Person and hence person shall not be required to pay the remaining part (i.e.; 70%).

For example, a taxpayer was imposed a penalty of AED 10,000 by FTA at end of Feb 2021 under cabinet decision no. 40 of 2017 and which is **unpaid as on 28th June 2021**,

- In this case, if the taxpayer will settle 30% of this penalty i.e.; AED 3,000 before Dec 2021 along with all the Tax payable due on him till date of December 31,2021 then taxpayer will be qualified for redetermination of penalties and will no longer be required to pay remaining AED 7,000
- In case, the taxpayer does not settle the aforesaid 30% of penalties or any payable tax by 31 December 2021 then he will be liable to pay the full amount of penalties.

The procedure for redetermination of penalties will be online through E-Services accounts of Taxpayer which will be available from 28 June 2021.

If you would like to discuss any VAT matters, please drop us an email at info@premier-brains.com or call us at + 971 4 3542959.

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