

Tax public clarification on Amendments to the Penalties Regime (TAXP001):

UAE Federal Tax Authority ("FTA") has issued Tax public clarification (TAXP001), which contains detailed information for recent change made in administrative penalty under Cabinet Resolution No. (49) Of 2021. It will give taxpayer more details to ensure the correct application of provisions.

Some of the key highlights of Tax Public clarification TAXP001 are as follows:

This public clarification is divided in two parts. First part consists of the administrative penalties and second part discusses the change in mechanism of calculation.

➤ **Part 1: Administrative Penalties:**

- **Part 1** of this public clarification contains the tables of administrative penalty and FTA has identified wherever penalties are amended or not amended and kept same in comparison to the previous provisions. FTA has also mentioned the change of mechanism of penalty calculation.
- Please [refer](#) our blog where we have drawn the comparison between old penalty regime and new penalty regime,

➤ **Part 2: Mechanism of Calculation for certain penalties:**

● **Penalty calculation mechanism for late payment of tax:**

- ✓ If taxable person fails to pay the Tax amount on due date (for example due date is 28th July) that in such case, **2%** of tax amount will be charged on **next day** (i.e. 29th July) and **4%** of tax amount still unpaid will be charged after one month (i.e. 28th Aug) from the due date and same day monthly (i.e. 28th of every month) up to 300% of the tax amount.
- ✓ **Deadline For payment of additional tax** because of Voluntary disclosure (VD) or Tax assessment is **20 business days** from the date of submission of VD or receipt of Tax assessment. Consequently, penalty of 2% will be levied on 21st day on unpaid tax amount.
- ✓ If the due tax amount cleared within 20 business day there will not be any penalty.

● **Penalty calculation mechanism for submission of incorrect tax return**

- ✓ For filling of incorrect there is fixed penalty of AED 1,000 for first violation and AED 2,000 for subsequent violation.
- ✓ In case of incorrect return, if the difference of tax payable is **less** than the above-mentioned fixed penalty, in that case penalty amount will be higher of AED 500 or the tax difference.
- ✓ Also, if the tax return is corrected within due date of submission of return then in such case there will not be any fixed penalty.

● **Penalty calculation Mechanism for submission of Voluntary Disclosure (VD):**

- ✓ This is additional penalty other than penalty levied on late payment of Tax in case of VD. This penalty is basically applied on additional tax arise on filing of VD. It will be calculated as 5%, 10%, 20%, 30% and 40% depending upon the submission of VD.



- ✓ For Example, taxable person is submitting the VD for additional tax amount of 20,000 relating to VAT return submission due date of 28th June 2020

VD Submission	Penalty Amount
Before 28 th June 2021	1,000 (5% of additional tax)
Before 28 th June 2022	2,000 (10% of additional tax)
Before 28 th June 2023	4,000 (20% of additional tax)
Before 28 th June 2024	6,000 (30% of additional tax)
On or after 28th June 2024	8,000 (40% of additional tax)

- ✓ Through this tax authority is **incentivizing** the taxable person for early correction of the mistake.
- **Penalty calculation Mechanism for report additional tax amount after notified by the authority for Tax audit:**
- ✓ This is additional penalty other than penalty levied on late payment of Tax.
- ✓ Following penalties will be levied:
 - a) 50% of amount of error
 - b) 4% of **unpaid tax or ineligible refund** not returned to FTA for every month or part of the month until the date of tax assessment.

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.

This document is only for information purposes and should not be construed as an advice. It does not necessarily cover each aspect of the topic with which it deals. You should not act upon the contents of this document without receiving formal advice on your particular circumstances