

UAE VAT update on reduction in Penalties imposed for VAT and Excise Non Compliances

Some of the key highlights of Cabinet Resolution No. (49) Of 2021 amending/replacing some provisions of Cabinet Resolution No. (40) Of 2017 are as follows:

- Cabinet Decision 49 of 2021 has been issued to reduce penalties imposed for VAT and Excise Non Compliances by Federal Tax Authority ("FTA") under the earlier Cabinet Decision 40 of 2017.
- **Reduction in the penalties related to late payment of Tax to the FTA:**

As per previous cabinet resolution 40 of 2017 (Old)	As per cabinet resolution 49 of 2021 (New)
<p>a. (2%) of the unpaid tax due on the day following the due date for payment, upon late payment of the payable tax.</p> <p>b. (4%) penalty due on the seventh day from the payment due date following the due date for payment</p> <p>c. (1%) daily penalty due after one month from the payment due date, on the amount of tax that has not been paid to date.</p> <p>For the above penalty upper ceiling of 300% is fixed.</p>	<p>a. (2%) of the unpaid tax due on the day following the due date for payment, upon late payment of the payable tax.</p> <p>b. (4%) monthly penalty due after one month from the payment due date, and on the same date every month after that, on the amount of tax that has not been paid to date.</p> <p>There is no change in upper ceiling of 300%.</p> <p>In case of voluntary disclosure (VD), late payment penalties shall only be calculated as from 20 business days after submitting the VD</p>

- **Reduction in the penalties related to Voluntary disclosure :**

As per previous cabinet resolution 40 of 2017 (Old)	As per cabinet resolution 49 of 2021 (New)
<p><u>Fixed penalties:</u> (3,000) for the first time and (5,000) in case of repetition</p> <p><u>Percentage based penalty</u> – (50%) if VD after being notified of the tax audit and the Authority starting the tax audit or after being asked for information relating to the tax audit, whichever takes place first.</p>	<p><u>Fixed penalties:</u> (1,000) for the first time and (2,000) in case of repetition</p> <p><u>Percentage based penalty</u></p> <p>a. (5%) on the difference amount of Tax amount in return if VD submitted within 1 year of due date of tax return</p> <p>b. (10%) on the difference amount of Tax amount in return if VD submitted during 2nd year of due date</p>

<ul style="list-style-type: none"> - (30%) if voluntary disclosure after being notified of the tax audit but before the start of the tax audit. - (5%) if voluntary disclosure before being notified of the tax audit by the Authority. 	<ul style="list-style-type: none"> c. (20%) on the difference amount of Tax amount in return if VD submitted during 3rd year of due date d. (30%) on the difference amount of Tax amount in return if VD submitted during 4th year of due date e. (40%) on the difference amount of Tax amount in return if VD submitted after 4th year of due date
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➤ **Reduction in the other penalties :**

As per previous cabinet resolution 40 of 2017 (Old)	As per cabinet resolution 49 of 2021 (New)
<u>Failure to keep proper records</u> (10,000) for the first time and (50,000) in case of repetition	<u>Failure to keep proper records</u> (10,000) for the first time and (20,000) in case of repetition
<u>Failure to submit registration request on time</u> (20,000)	<u>Failure to submit registration request on time</u> (10,000)
<u>Failure to submit de-registration on time</u> (10,000)	<u>Failure to submit de-registration on time</u> (1,000) upon delay and on the same date per month with a maximum of (10,000)
<u>Failure to inform for amendment in information</u> (5,000) for the first time and (15,000) in case of repetition	<u>Failure to inform for amendment in information</u> (5,000) for the first time and (10,000) in case of repetition
<u>Failure by the Taxable Person to display prices inclusive of Tax</u> (15,000)	<u>Failure by the Taxable Person to display prices inclusive of Tax</u> (5,000)
<u>Failure by the Taxable Person to issue the Tax invoice/Tax credit note or an alternative document when making any supply.</u> (5,000) for each document	<u>Failure by the Taxable Person to issue the Tax invoice/Tax credit note or an alternative document when making any supply.</u> (2,500)

➤ The new provisions will be **effective 60 days as from April 28, 2021.**

➤ **Relief for the outstanding penalties**

FTA has the right to reduce previously unpaid penalties to 30% of the total of such penalties under the new cabinet decision subject to following two conditions are met:

- a) Administrative penalties under previous legislation were imposed on registrant and it is unpaid.
- b) Taxable person has paid due and tax payable up to December 31, 2021 and also has paid 30% of the total unpaid administrative penalty up to December 31, 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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