

Cabinet Resolution No. (40) of 2017
Regarding the Administrative Penalties Imposed for Violations of Tax Laws
in the State

The Cabinet:

- Having reviewed the Constitution,
- Federal Law No. (1) of 1972 Regarding the Competencies of Ministries and Powers of Ministers, as amended,
- Federal Law No. (1) of 2011 Regarding the Public Revenues of the State,
- Federal Decree by Law No. (8) of 2011 Regarding the Rules for the Preparation of the General Budget and the Final Account,
- Federal Law No. (14) of 2016 Regarding Administrative Violations and Penalties in the Federal Government,
- Federal Decree by Law No. (13) of 2016 Regarding the Establishment of the Federal Tax Authority,
- Federal Law No. (7) of 2017 Regarding Tax Procedures,
- Federal Decree by Law No. (7) of 2017 Regarding Excise Tax,
- Federal Decree by Law No. (8) of 2017 Regarding Value Added Tax (VAT), and
- Upon the proposal of the Minister of Finance, and the approval of the Cabinet,

Hereby resolves as follows:

Article (1)

Definitions

For the purposes of implementing the provisions of this Resolution, the following terms and expressions shall have the meanings assigned to each of them, unless the context requires otherwise:

- State** : The United Arab Emirates.
- Minister** : The Minister of Finance.
- Authority** : The Federal Tax Authority.

- Chairman** : The Chairman of the Board of Directors of the Authority.
- Tax Law** : Any federal law pursuant to which a federal tax is imposed.
- Administrative Penalties** : Monetary amounts imposed on a Person by the Authority for violating the provisions of Federal Law No. (7) of 2017 Regarding Tax Procedures or the Tax Law.
- Person** : A natural or legal person.
- Business** : Any activity conducted on a regular, continuous and independent basis by any Person and in any location, such as industrial, commercial, agricultural, professional, vocational, service, or excavation activities or any activity related to the use of tangible or intangible properties.
- Taxable Person** : A Person who is subject to Tax under the provisions of the relevant Tax Law.
- Tax Return** : The information and data specified for Tax purposes and provided by a Taxable Person in accordance with the form prepared by the Authority.
- Tax Registration** : The procedure by which a Taxable Person or the Legal Representative thereof registers for Tax purposes with the Authority.
- Registrant** : The Taxable Person holding a Tax Registration Number.
- Legal Representative** : The manager of a company, the guardian, custodian, or curator in respect of persons lacking or having diminished legal capacity; the bankruptcy trustee appointed by the court for a company in a state of bankruptcy, or any other person legally appointed to represent another Person.
- Payable Tax** : The Tax that has become payable to the Authority.
- Tax Assessment** : A decision issued by the Authority relating to the Payable Tax or the refundable tax.

- Assessment of Administrative Penalties** : A decision issued by the Authority on due Administrative Penalties.
- Notification** : Notifying the concerned person, their tax agent, or Legal Representative of the decisions issued by the Authority through the means stipulated in Federal Law No. (7) of 2017 Regarding Tax Procedures and its Executive Regulations.
- Voluntary Disclosure** : A form prepared by the Authority through which the taxpayer notifies the Authority of any error or omission in the Tax Return, Tax Assessment, or tax refund application, in accordance with the provisions of the Tax Law.

Article (2)

Scope of Application

Administrative penalties shall be imposed for the violations listed in Schedules No. (1), (2), and (3) attached to this Resolution.

Article (3)

General Provisions

The imposition of any administrative penalty under the provisions of this Resolution shall not result in exempting any person from the liability to pay the Tax Due in accordance with the provisions of the federal tax laws.

Article (4)

Amendment of Administrative Penalties

The Cabinet shall be competent to make any amendments to the Administrative Penalties stipulated in this Resolution, whether by addition, deletion, or modification.

Article (5)

Objection

A Person may object to the Administrative Penalties imposed thereon in accordance with the procedures stipulated in Federal Law No. (7) of 2017 Regarding Tax Procedures.

Article (6)

Issuance of Executive Resolutions

The Minister shall issue the necessary resolutions for the implementation of the provisions of this Resolution.

Article (7)

Entry into Force

The provisions of this Resolution shall enter into force from the date of its issuance, with the exception of the following:

1. Schedule (2) regarding the administrative violations and penalties related to the implementation of Federal Decree by Law No. (7) of 2017 Regarding Excise Tax, attached to this Resolution, shall enter into force from 1 October 2017.
2. Schedule (3) regarding the administrative violations and penalties related to the implementation of Federal Decree by Law No. (8) of 2017 Regarding Value Added Tax (VAT), attached to this Resolution, shall enter into force from 1 January 2018.

Article (8)
Publication

This Resolution shall be published in the Official Gazette.

Mohammed bin Rashid Al Maktoum
Prime Minister

Issued by Us:

On: 4 Muharram 1439 A.H.

Corresponding to: 24 September 2017 A.D.

Schedules of Administrative Violations and Penalties
Attached to Cabinet Resolution No. (40) of 2017

Schedule No. (1)		
Regarding Administrative Violations and Penalties Related to the Implementation of Federal Law No. (7) of 2017 Regarding Tax Procedures		
No.	Description of Violation	Administrative Penalty in AED
1	The failure of the Person conducting Business to keep the required records and other information specified in the Tax Procedures Law and the Tax Law.	(10,000) for the first time. (20,000) in case of repetition.
2	The failure of the Person conducting Business to submit the data, records, and documents related to Tax in the Arabic language to the Authority when requested.	(20,000)
3	The failure of the Taxable Person to submit a registration application within the timeframe specified in the Tax Law.	(10,000)
4	The failure of the Registrant to submit a deregistration application within the timeframe specified in the Tax Law.	(1,000) for the delay in submitting the application, and on the same date monthly thereafter, up to a maximum of (10,000).
5	The failure of the Registrant to notify the Authority of any case that may require the amendment of the information on their tax record maintained by the Authority.	(5,000) for the first time. (10,000) in case of repetition.

6	The failure of the Legal Representative of the Taxable Person to notify the Authority of their appointment as a Legal Representative within the specified timeframes, provided that the penalties in this case shall be paid from the Legal Representative's own funds.	(10,000)
7	The failure of the Legal Representative of the Taxable Person to file a Tax Return within the specified timeframes, provided that the penalties in this case shall be paid from the Legal Representative's own funds.	(1,000) for the first time. (2,000) in case of repetition within a period of (24) months.
8	The failure of the Registrant to submit a Tax Return within the timeframe specified in the Tax Law.	(1,000) for the first time. (2,000) in case of repetition within a period of (24) months.
9	Failure of the Taxable Person to pay the tax shown as Payable Tax in the Tax Return, the submitted Voluntary Disclosure, or the Tax Assessment that they were notified of within the timeframe specified in the Tax Law.	<ol style="list-style-type: none"> 1. The Taxable Person shall be required to pay the penalty applicable for late payment of the Payable Tax, up to a maximum of (300%), as follows: <ol style="list-style-type: none"> a. (2%) of the unpaid tax is due on the day following the payment due date, upon delay in paying the Payable Tax. b. A monthly penalty of (4%) shall be due one month after the

		<p>payment due date, and on the same date monthly thereafter, on the amount of unpaid tax.</p> <p>2. For the purposes of this penalty, the payment due date shall be as follows:</p> <p>a. In the case of a Voluntary Disclosure, (20) working days from the date of its submission.</p> <p>b. In the case of a Tax Assessment, (20) working days from the date of its receipt.</p>
10	Where a Registrant submits an incorrect Tax Return.	<p>1. A fixed penalty shall be imposed: (1,000) for the first time. (2,000) in case of repetition.</p> <p>2. As an exception to clause (1) of this penalty, if the incorrect Tax Return results in a tax difference that is less than the fixed penalty mentioned in clause (1) of this penalty, a penalty equal to the tax difference shall be imposed, provided that it is not less than (500) dirhams.</p> <p>3. Anyone who corrects their Tax Return before the payment due date shall be exempted from the penalty specified in clauses (1) and (2) of this penalty.</p>

11	Where a Person / taxpayer submits a Voluntary Disclosure for errors in the Tax Return, Tax Assessment, or tax refund application in accordance with clauses (1) and (2) of Article (10) of the Tax Procedures Law.	<p>Without prejudice to what may result from the penalty mentioned in clause (10) of this schedule, a proportional penalty shall be imposed on the amount of the difference between the tax that was calculated and the tax that should have been calculated, as follows:</p> <ol style="list-style-type: none"> 1. (5%) of the difference amount if the Voluntary Disclosure is submitted within one year from the due date of the Tax Return, Tax Assessment, or the relevant tax refund application. 2. (10%) of the difference amount if the Voluntary Disclosure is submitted during the second year from the due date of the Tax Return, Tax Assessment, or the relevant tax refund application. 3. (20%) of the difference amount if the Voluntary Disclosure is submitted during the third year from the due date of the Tax Return, Tax Assessment, or the relevant tax refund application. 4. (30%) of the difference amount if the Voluntary Disclosure is submitted during the fourth year from the due date of the Tax Return,
----	--	---

		<p>Tax Assessment, or the relevant tax refund application.</p> <p>5. (40%) of the difference amount if the Voluntary Disclosure is submitted after the fourth year from the due date of the Tax Return, Tax Assessment, or the relevant tax refund application.</p>
12	<p>The failure of the Person / taxpayer to make a Voluntary Disclosure for an error in the Tax Return, Tax Assessment, or tax refund application, in accordance with clauses (1) and (2) of Article (10) of the Tax Procedures Law, before being notified of the Authority's tax audit.</p>	<p>Without prejudice to what may result from the penalty mentioned in clause (10) of this schedule, the following shall be imposed on the Person:</p> <ol style="list-style-type: none"> 1. A penalty of (50%) of the error amount. 2. A penalty of (4%) per month or part thereof on any of the following: <ol style="list-style-type: none"> a. The unpaid tax to the Authority, from the due date of payment for the relevant tax period until the date of receipt of the Tax Assessment. b. The tax that was not returned to the Authority due to a tax refund received without entitlement, from the date the refund was received from the Authority until the date of receipt of the Tax Assessment.

13	The failure of the Person conducting Business to provide facilities to the tax auditor in violation of the provisions of Article (21) of the Tax Procedures Law.	(20,000)
14	The failure of the Registrant to calculate the tax on behalf of another person when the Registrant is obligated to do so under the Tax Law.	<ol style="list-style-type: none"> 1. The Registrant shall be required to pay the penalty applicable for late payment of the Payable Tax, with a maximum of (300%), as follows: <ol style="list-style-type: none"> a. (2%) of the unpaid tax shall be due on the day following the payment due date, upon delay in paying the Payable Tax. b. A monthly penalty of (4%) shall be due one month after the payment due date, and on the same date monthly thereafter, on the amount of unpaid tax. 2. For the purposes of this penalty, the due date for payment shall be as follows: <ol style="list-style-type: none"> a. In the case of a Voluntary Disclosure, (20) working days from the date of its submission. b. In the case of a Tax Assessment, (20) working days from the date of its receipt.

15	The failure of the Person to calculate any tax that may be due on the import of goods in accordance with the Tax Law.	(50%) of the unpaid or undeclared tax.
----	---	--

Schedule No. (2)		
Regarding Administrative Violations and Penalties Related to the Implementation of Federal Law No. (7) of 2017 Regarding Excise Tax		
No.	Description of Violation	Administrative Penalty in AED
1	The failure of the Taxable Person to display prices inclusive of tax.	(5,000)
2	Failure to comply with the conditions and procedures for transferring excise goods from a designated zone to another, and the mechanism for preserving, storing, and processing them therein.	The penalty shall be the higher of (50,000) or (50%) of the tax, if any, imposed on the goods related to the violation.
3	The failure of the Taxable Person to provide the Authority with price lists of the excise goods it produces, imports, or sells.	(5,000) for the first time. (10,000) in case of repetition.

Schedule No. (3)		
Regarding Administrative Violations and Penalties Related to the implementation of Federal Decree by Law No. (8) of 2017 Regarding Value Added Tax (VAT)		
No.	Description of Violation	Administrative Penalty in AED
1	The failure of the Taxable Person to display prices inclusive of tax.	(5,000)
2	The failure of the Taxable Person to notify the Authority of applying tax on a margin basis.	(2,500)
3	Failure to comply with the required conditions and procedures for keeping goods in a designated zone or transferring them to another designated zone.	The penalty shall be the higher of (50,000) or (50%) of the tax, if any, imposed on the goods related to the violation.
4	The failure of the Taxable Person to issue a tax invoice or an alternative document when making any supply.	(2,500) for each detected case.
5	The failure of the Taxable Person to issue a tax credit note or an alternative document.	(2,500) for each detected case.
6	The failure of the Taxable Person to comply with the conditions and procedures related to issuing the Tax Invoice and tax credit note electronically.	(2,500) for each detected case.