



United Arab Emirates: Extension of the timeframe to benefit from the redetermination of penalties until 31 December 2022

January 2022



In brief

A new Cabinet Decision No. 108/2021 was issued on 30 December 2021 extending the timeframe for taxpayers to benefit from the 70% redetermination (discount) on penalties up until 31 December 2022. The original deadline granted under the previous Cabinet Decision No. 49/2021 was 28 June 2021.

The new Cabinet Decision came into effect on 1 January 2022.

In detail

Initial Cabinet Decision No. 49/2021

The Cabinet explained that the administrative penalties - that have not been paid - and imposed before the effective date of the Decision will be reduced to 30% of the total unpaid penalties if all of the following conditions are met:

1. The unsettled penalty was imposed based on the Cabinet Decision No. 40 of 2017 i.e. the old Cabinet Resolution on the Administrative Penalties for Violations of Tax Laws in the UAE;
2. the unsettled penalty was imposed in full before the effective date of the Decision, i.e. 28 June 2021; and
3. the taxable person has undertaken all of the following:
 - a. paid the total amounts of the payable tax by **31 December 2021** i.e. no payable tax remains outstanding to the Federal Tax Authority “FTA” and the FTA has received the amounts by 31 December 2021 notwithstanding whether the tax amount is payable before or after 28 June 2021; and
 - b. paid 30% of the total amounts of the unsettled administrative penalties imposed before 28 June 2021, no later than 31 December 2021.

New Cabinet Decision No. 108/2021

The new Cabinet Decision No. 108/2021, replaces the third Article of Cabinet Decision No. 49/2021 to provide an extended timeframe for registrants to settle the outstanding payable taxes along with the 30% of administrative penalties up until 31 December 2022.

FTA Public Clarification “TAXP004”

On 26 January 2022, the FTA issued a new Public Clarification “TAXP004” on redetermination of administrative penalties levied prior to the effective date of the Cabinet Decision No. 49 of 2021. The new clarification replaced the Public Clarification “TAXP002”.

The new Public Clarification mentioned that where the above conditions are satisfied, the FTA will redetermine at the end of year 2022 whether the unsettled part of the administrative penalties - equivalent to 70% of the total amount of penalties imposed - shall no longer be required to be paid.

The FTA will link the redetermination process to the registered taxable person’s e-Services account who will be able to access the information relating to the process as of 28 June 2021.

“

Taxable persons who have been subject to penalties imposed prior to 28 June 2021 can benefit from a 70% discount on penalties.

The timeframe to benefit from the discount on penalties has been extended up until **31 December 2022**.

”

The takeaway

Taxable persons should evaluate whether the conditions stipulated in the Cabinet Decision No. 108/2021 and the Public Clarification “TAXP004” on redetermination of administrative penalties imposed before 28 June 2021 are satisfied to benefit from the redetermination of any previously imposed penalties and pay the VAT liabilities and penalties due before 31 December 2022.

www.pwc.com/me

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Chadi Abou-Chakra

Indirect Tax Partner
Middle East Indirect Tax Network Leader

+966 56 068 0291

chadi.abou-chakra@pwc.com

Antoni Turczynowicz

Indirect Tax Partner
Middle East TLS Managed Services Lead

+971 54 791 5259

antoni.a.turczynowicz@pwc.com

Maher ElAawar

Middle East Indirect Tax and Fiscal Policy
Partner

+971 56 216 1109

maher.elaawar@pwc.com

Carlos Garcia

Middle East Customs and International Trade
Leader

+971 56 682 0642

c.garcia@pwc.com

Thank you