

# ACS BULLETIN

THE OFFICIAL NEWSLETTER OF ACS AUDITORS, DUBAI - U.A.E



## *What's New*

**AMENDMENTS TO VAT  
RULES IN UAE**

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**NEW REDUCED  
PANALTIES**

**DISCOUNT ON OLD  
PENALTIES**

## ***VAT Health Check - How important is it for your business?***

R Prasad B.Com., FCA

Law relating to administrative penalties for violation of Tax Laws has been amended with effect from 28 June, 2021. Penalties have been considerably reduced which is great relief to the business community in U.A.E.

Taxpayers can now avail a 70% discount on their penalties which is outstanding on 28 June 2021.

Reduced penalties provide opportunity to review the Returns and do proper adjustments to ensure compliance.

## *What is the opportunity?*

### ***Unpaid penalties***

Penalties which are unpaid as on 28 June 2021 shall be reduced to 30% subject to fulfillment of certain conditions.

Those conditions include: Settle payable tax and 30% administrative penalties before 31 December 2021

Do not forget to chose the option "Tax Liability Cleared First" on the "My Payment" page of your VAT filing portal. Otherwise, the payment might be adjusted towards the penalties payable.

### ***Voluntary disclosure (VD):***

So many taxpayers have misinterpreted the provisions of VAT Law and committed mistakes during the initial periods of VAT. Subsequently with more clarifications published by FTA, lots of taxpayers adjusted their position voluntarily. We understand from our experience that many of the taxpayers continue to do incorrect filings without even knowing that they do it wrong. It is advisable to revisit their submitted Returns to ensure the health of the Returns. New penalties are comparatively low. However, it would go up with the lapse of time.

For example, when a VD is filed, the variable penalty is calculated with respect to the time of filing the VD. If VD is submitted within one year from the due date of submission of the Tax Return, the Tax Assessment, or the relevant refund application, the variable penalty would be 5% of the difference in Tax. Second year, it will be 10%, third year 20%, fourth year 30% and fifth year 40%.

Another interesting point is that the percentage penalty for non payment of tax in case of VD starts after 20 days from date of filing VD and not from the original Return due date.



## ***Do not wait! Do it today***

We recommend all taxpayers to recheck their submitted VAT Returns as early as possible and make corrective actions. The earlier is better.

For further clarifications or a free consultation, you may always reach out to us.

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