

Update on Violations and Administrative Penalties related to the Implementation of Tax Procedures Law

Sr No.	Violation	Penalty until 13th April 2026	Penalty from 14th April 2026	Remarks
1	Failure to keep required records and other information under the Tax Procedures Law and Tax Law	AED 10,000 for the first time; AED 20,000 in case of repetition	1. AED 10,000 for each violation 2. AED 20,000 for repeated violation within 24 months	The wording has been updated to apply per violation and for repeated violations within 24 months. A 24-month cap has also been introduced, meaning that if a similar violation is repeated after 24 months from the last violation, the penalty resets to AED 10,000 instead of AED 20,000.
2	Failure to submit tax-related data, records, and documents in Arabic when requested by the Authority	AED 20,000	AED 5000	The administrative penalty for failure to provide tax-related records in Arabic has been reduced by 75%, from AED 20,000 to AED 5,000. Although the revised penalty is lower, businesses should still ensure that key tax documents can be translated into Arabic when requested by the Authority to avoid non-compliance.
3	Failure to submit a registration application within the timeframe specified in the Tax Law	AED 10,000	AED 10,000	Although no change in penalty amounts, tax registration must be completed as soon as the registration threshold or mandatory registration criteria are met.
4	Failure to submit a deregistration application within the timeframe specified in the Tax Law	1,000 in case of late submission of the application and on the same date monthly, up to a maximum of 10,000.	1,000 in case of late submission of the application and on the same date monthly, up to a maximum of 10,000.	Although no change in penalty amounts, taxpayers should monitor whether they cease making taxable supplies or fall below deregistration thresholds. Delaying deregistration can lead to accumulating monthly penalties.
5	Failure to inform the Authority of changes requiring amendment of tax records	AED 5,000 for the first time; AED 10,000 in case of repetition	1. AED 1,000 for each violation 2. AED 5,000 in each case of repeated violation within 24 months from the date of the last violation	The penalty has been reduced from AED 5,000 / AED 10,000 to AED 1,000 / AED 5,000 along with a 24 month gap. Businesses should promptly update any change in business name, address, ownership details, business activities, or contact information with the Authority.
6	Failure of the Legal Representative of the Taxable Person to inform the Authority of its appointment as Legal Representative within the specified timeframe	AED 10,000	AED 1,000	90% reduction in penalty amounts and hence, legal representatives should notify the Authority promptly upon appointment to avoid penalties payable from their own funds.
7	Failure of the Legal Representative of the Taxable Person to file a Tax Return within the specified timeframe (Penalties due from Legal Representative's own funds)	AED 1,000 for the first time; AED 2,000 in case of repetition within 24 months	AED 1,000 for the first time; AED 2,000 in case of repetition within 24 months	No change in penalty amounts. Since penalties are payable from the Legal Representative's own funds, timely filing of Tax Returns on behalf of the taxable person remains critical.
8	Failure of the Registrant to submit the Tax Return within the timeframe specified in the Tax Law	AED 1,000 for the first time; AED 2,000 in case of repetition within 24 months	AED 1,000 for the first time; AED 2,000 in case of repetition within 24 months	No change in penalty amounts. Registrants must ensure Tax Returns are filed within prescribed deadlines to avoid accumulating penalties.

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9	Failure of the Taxable Person to settle the Payable Tax stated in the submitted Tax Return or Voluntary Disclosure, or the Tax Assessment notified, within the timeframe specified in the Tax Law	(1) 2% of unpaid Tax due on the day following the due date of payment. (2) 4% monthly penalty due after one month from the due date and on the same date monthly thereafter on the unsettled Tax amount. Maximum cap of 300%.	A monthly penalty of 14% per annum for each month or part thereof, imposed on the unsettled Payable Tax from the day following the due date and on the same date monthly thereafter. Due date for Voluntary Disclosure and Tax Assessment: 20 business days from date of submission/receipt respectively.	Significant structural change, earlier the penalty (2% on Day 1 + 4% monthly) was far more aggressive. For example, on an unpaid tax of AED 100,000 over 1 year: old penalty = AED 46,000 (2% day one + 4% × 11 months); new penalty = AED 14,000 (14% per annum) - a reduction of approximately 70%. The new structure is simpler and considerably more proportionate. Businesses should still prioritise timely payment, but the revised penalty significantly reduces the burden for those with delayed settlements.
10	Submission of an incorrect Tax Return by the Registrant	(1) Fixed penalty: AED 1,000 for the first time; AED 2,000 in case of repetition. (2) If the Tax difference is less than the fixed penalty, a penalty equal to the Tax difference (minimum AED 500) shall be imposed instead. (3) Correction prior to the due date of payment excluded the Registrant from penalties under clauses 1 and 2.	AED 500 , unless the Registrant: (1) Corrects the Tax Return within the deadline specified for submission pursuant to the Tax Law. (2) Submits a Voluntary Disclosure to correct the Tax Return without resulting in a difference in the amount of Due Tax.	The fixed penalty has been simplified and reduced from a tiered AED 1,000/2,000 structure to a flat AED 500 . The proportionate penalty based on tax difference has been removed. The exclusion for early correction has been retained and expanded to include Voluntary Disclosures with no tax impact. Overall a more straightforward and taxpayer-friendly structure that rewards proactive correction.
11	Submission of a Voluntary Disclosure by the Taxable Person or Taxpayer on errors in the Tax Return, Tax Assessment or tax refund application pursuant to Article 10(1) and 10(2) of the Tax Procedures Law	Percentage-based penalty on the Tax Difference, calculated from the due date of submission of the Tax Return, Tax Assessment, or the relevant refund application: (1) Year 1 - 5% (2) Year 2 - 10% (3) Year 3 - 20% (4) Year 4 - 30% (5) After Year 4 - 40%	A monthly penalty of 1% on the Tax Difference, for each month or part thereof, from the date following the due date of the Tax Return or tax refund application until the date the Voluntary Disclosure is submitted.	Unlike most other amendments which reduced penalties, this is one area where the new structure results in a higher penalty in most scenarios. The old fixed-percentage model rewarded delay within a year band, whereas the new 1% per month accumulates continuously. Illustration : On a Tax Difference of AED 100,000: 12 months: old = AED 5,000 (5%) → new = AED 12,000 (12%) 24 months: old = AED 10,000 (10%) → new = AED 24,000 (24%) 49 months: old = AED 40,000 (40%) → new = AED 49,000 (49%) This makes early Voluntary Disclosure more critical than ever, the longer the delay, the greater the penalty gap compared to the old law.
12	Failure of the Taxable Person or Taxpayer to voluntarily disclose an error in the Tax Return, Tax Assessment or refund application pursuant to Article 10(1) and 10(2) of the Tax Procedures Law before being notified by the Authority that it will be subject to a Tax Audit	(1) A penalty of 50% on the amount of error. (2) A penalty of 4% for every month or part thereof on: (a) Unpaid Tax from the date payment was due for the relevant Tax Period until date of receipt of Tax Assessment. (b) Tax not returned due to ineligible refund, from date of Tax refund until date of receipt of Tax Assessment.	(1) A fixed penalty of 15% on the Tax Difference. (2) A monthly penalty of 1% on the Tax Difference for each month or part thereof, calculated from the day following the due date of the Tax Return or tax refund application until the date of submitting the Voluntary Disclosure (if submitted after Tax Audit notification), or if no VD submitted then until the date of issuance of the Tax Assessment	Significant reduction in penalty. The old 50% fixed penalty plus 4% monthly has been replaced with a much lighter 15% fixed + 1% monthly structure. This substantially reduces the financial consequences for taxpayers who failed to disclose before a Tax Audit notification. However, the message remains clear, proactive Voluntary Disclosure before any audit notification is always the better course of action.

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13	Failure of the Person conducting Business to facilitate the work of the Tax Auditor in violation of the provisions of Article 21 of the Tax Procedures Law	AED 20,000	AED 20,000	No change in penalty. Businesses and their representatives must ensure full cooperation during Tax Audits for instance providing access to records, premises, and systems as required by the Authority.
14	Failure of the Registrant to calculate Tax on behalf of another Person where the Registrant Taxable Person is obliged to do so under the Tax Law	(1) 2% of unpaid Tax due on the day following the due date of payment. (2) 4% monthly penalty due after one month from the due date and on the same date monthly thereafter on the unsettled Tax amount. Maximum cap of 300%.	A monthly penalty of 14% per annum for each month or part thereof, imposed on the unsettled Payable Tax from the day following the due date and on the same date monthly thereafter. Due date for Voluntary Disclosure and Tax Assessment: 20 business days from date of submission/receipt respectively.	Same structural change as Row 9 - the aggressive 2% immediate + 4% monthly stepped penalty has been replaced with a flat 14% per annum. Registrants obliged to account for tax on behalf of others (e.g. under reverse charge mechanisms) should ensure timely calculation and settlement to avoid this penalty.
15	Failure of a Person to account for any Tax that may be due on the import of goods as per the Tax Law	50% of unpaid or undeclared Tax	50% of unpaid or undeclared Tax	No change in penalty. This remains one of the most severe fixed penalties in the schedule. Businesses importing goods must ensure VAT is correctly declared and accounted for at the point of import to avoid a 50% penalty on the undeclared amount.

Update on Violations and Administrative Penalties related to the Implementation of Federal Decree-Law No. 7 of 2017 on Excise Tax

Sr No.	Violation	Penalty until 13th April 2026	Penalty from 14th April 2026	Remarks
1	Failure of the Taxable Person to display prices inclusive of Excise Tax	AED 5,000	AED 5,000	No change in penalty. Excise Tax registrants must ensure all displayed prices are inclusive of Excise Tax.
2	Failure to comply with the conditions and procedures of transferring Excise Goods from a Designated Zone to another Designated Zone, and the mechanism of preserving, storing, and processing such Excise Goods	The higher of AED 50,000 or 50% of the Tax chargeable on the goods in relation to the violation	The higher of AED 50,000 or 50% of the Tax chargeable on the goods in relation to the violation	No change in penalty. This remains a high-risk area, the penalty is the greater of AED 50,000 or 50% of applicable Tax. Businesses handling Excise Goods across Designated Zones must strictly follow transfer procedures.
3	Failure of the Taxable Person to provide the Authority with the price lists of the Excise Goods that it produces, imports or sells	AED 5,000 for the first time; AED 10,000 in case of repetition	AED 5,000 for the first time; AED 10,000 in case of repetition	No change in penalty. Excise Tax registrants must ensure up-to-date price lists are submitted to the Authority as required.

Update on Violations and Administrative Penalties related to the Implementation of Value Added Tax Law

Sr No.	Violation	Penalty until 13th April 2026	Penalty from 14th April 2026	Remarks
1	Failure of the Taxable Person to display prices inclusive of VAT	AED 5,000	AED 5,000	No change in penalty. All VAT-registered businesses must ensure prices displayed to customers are inclusive of VAT.
2	Failure of the Taxable Person to notify the Authority of applying Tax based on Margin	AED 2,500	AED 2,500	No change in penalty. Businesses applying the Profit Margin Scheme must formally notify the Authority – failure to do so attracts a AED 2,500 penalty.
3	Failure to comply with the required conditions and procedures related to keeping Goods in a Designated Zone or moving them to another Designated Zone	The higher of AED 50,000 or 50% of the Tax chargeable on the goods in relation to the violation	The higher of AED 50,000 or 50% of the Tax chargeable on the goods in relation to the violation	No change in penalty. This remains a high-risk area. Businesses operating in or transacting through Designated Zones must strictly adhere to all conditions and movement procedures for goods.
4	Failure of the Taxable Person to issue a Tax Invoice or alternative document when making any supply within the period legally specified	AED 2,500 for each detected case	AED 2,500 for each detected case	No change in penalty amount however, the violation description has been tightened. The new wording explicitly ties the obligation to 'the period legally specified', making the timeframe
5	Failure of the Taxable Person to issue a Tax Credit Note or alternative document within the period legally specified	AED 2,500 for each detected case	AED 2,500 for each detected case	for issuance a formal compliance requirement. Businesses should ensure Tax Invoices / Tax Credit Notes are issued within the prescribed legal deadlines and not just at any point after the supply.
6	Failure of the Taxable Person to comply with the conditions and procedures regarding the issuance of a Tax Invoice and a Tax Credit Note electronically	AED 2,500 for each detected case	AED 2,500 for each detected case	No change in penalty. Businesses must ensure electronic Tax Invoices and Tax Credit Notes meet all FTA format and procedural requirements. Non-compliance is assessed per detected case.

Source: <https://mof.gov.ae/wp-content/uploads/2025/11/Cabinet-Decision-No.-40-of-2017-and-its-amendments-v14.11.25.pdf>