



# MMJS Alert


## Tax Procedure Law

The Federal Decree-law No.7 of 2017 on Tax Procedures (TPL) would be repealed and replaced with the Federal Decree-law No. 28 of 2022 on Tax Procedures (new TPL).

The effective date of the new TPL is from 1st March 2023.

*We have highlighted the changes in the new TPL relevant for Taxpayers below for your reference:*

1. **Article 5-** In case the data is submitted to the FTA post translation, Taxpayers would be responsible for the accuracy and correctness of such translated copies submitted to the FTA.
2. **Article 9-** The revised provision gives the right to the FTA to allocate the excess amounts paid by the Taxpayer or tax credit of a Taxpayer, to settle any amounts due. The Executive regulations may specify specific conditions for such allocation.
3. **Article 10-** Clause (5) has been added stating that the Taxpayer would be required to submit Voluntary Disclosures to correct any errors or omissions in the tax return even where there is no difference in the amount of Due Tax (e.g., correction of values under zero-rated and exempt supplies, correction of emirates-wise reporting).



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4. **Article 12,13,14**– New provisions introduced in determining the responsibilities, conditions for registration, and record-keeping requirements for Tax Agents including penal implications on Tax agents in certain cases.
  5. **Article 16**– A Tax Audit notice shall be required to be given at least 10 business days prior to conducting an Audit. In the current TPL it is 5 business days.
  6. **Article 23**– Notification of the Tax assessments is to be given by the FTA within 10 business days of its issuance in certain cases. In the current TPL it is 5 business days.
  7. **Article 24**– The ceiling limit for Administrative Penalties imposed in a Tax Assessment would be reduced to 2 times the Tax amount (in the current TPL the limit is 3 times) and the minimum Administrative Penalties of AED 500 has been removed.
  8. **Article 25**– The following key changes have been made to Tax crimes and penalties applicable:

A– A prison sentence and a monetary penalty not less than the amount of evaded Tax and not exceeding (3) three times of it, or either of the two, shall be imposed on any Person who has committed Tax Evasion by any of the following acts:

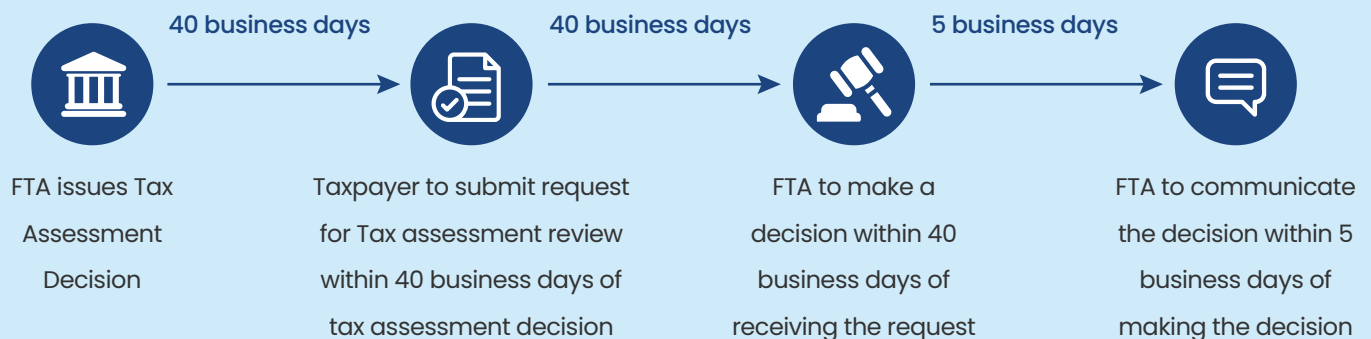
- a. Deliberately failing to settle any Payable Tax.
- b. Deliberately understating the actual value of Business/ revenues for VAT registration
- c. Deliberately imposing and collecting amounts as Tax without being registered.
- d. Deliberately decreasing the Due Tax
- e. Deliberately committing or omitting any other act which may constitute Tax Evasion.
- f. Deliberately failing to settle any Administrative Penalty, unless a decision is issued waiving thereof.

B– A prison sentence and a monetary penalty not exceeding (1,000,000) one million Dirhams, or either of the two, shall be imposed on anyone who commits any of the following acts:

- a. Deliberately providing false/ incorrect information, data and documents to the Authority.
- b. Deliberately concealing or destroying documents, information and data.
- c. Stealing documents or other materials that are in the possession of the Authority.
- d. Deliberately hindering the Authority's employees' from performing their duties.

7. **Article 26**– (Newly inserted)– Procedures and measures for initiating Tax Evasion cases and measures for confiscation and dealing with seized goods have been specified.
  8. **Article 27**– (Newly inserted)– Situations have been provided for wherein the Authority/ Public prosecution may reconcile and settle the criminal proceedings if the Taxpayers pays the Payable Tax, Administrative Penalties and a percentage of evaded Tax subject to conditions prescribed.
  9. **Article 28**– A new layer would be added to the Tax dispute resolution process viz. Tax Assessment
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Review which will precede the reconsideration process. The taxpayer would be able to request for a Tax Assessment Review within 40 business days of receiving the Tax Assessment subject to certain conditions.



*Note: It shall not be permissible to submit a request for a Tax Assessment Review or continue to consider it in respect of which a reconsideration request has already been filed.*

10. **Article 39**– The Authority shall not hold or decline the tax refund of a Person subjected to Tax Audit/ Assessment.
11. **Article 46** – An exception has been introduced to the default statute of limitation of 5 years from the end of the relevant Tax period, provided an audit notice is issued before the expiry of 5 years. In such cases, the FTA must complete the audit or issue a Tax Assessment within 4 years from the date of the notification of the Tax Audit.

Further, If a Voluntary Disclosures is submitted in the 5th year from the end of the tax period, then FTA may conduct a Tax Audit or Tax Assessment after the expiry of 5 years provided FTA must complete the audit or issue a Tax Assessment within 1 year from the date of submission of such Voluntary Disclosure.

Moreover, restrictions on filing Voluntary Disclosures after 5 years from the end of the relevant Tax Period have been placed.

For E.g. ABC LLC (a company registered for VAT ) finds an error in the first tax return (January to March 2018) and files a voluntary disclosure on 01 January 2023. Assuming the FTA initiates an audit on 15 April 2023 (in the given case), the following scenarios may be relevant:

Particulars	Before Amendment	After Amendment
Maximum time to file voluntary disclosure by ABC LLC	No Time Limit	31st March 2023
Maximum time limit to initiate audit by FTA	31st March 2023	31st December 2023
Maximum time limit to complete the audit	N.A.	31st December 2023

For more information, please get in touch with our team.

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