

UAE TAX ALERT

MM
JS

CONSULTING

Cabinet Decision No. 129 of 2025

New Penalty Regime is Effective Now!

#taxatmmjs



Call Us for More Information:
+971 58 849 8132

All rights reserved © MMJS Consulting 2026

www.mmjs.co

The Federal Tax Authority (FTA) has announced revisions to the Administrative Penalties for Violations of Tax Procedures Law, Excise Tax Law, and Value Added Tax Law in the UAE vide Cabinet Decision No. 129 of 2025 which has come into effect from 14 April 2026. The detailed alert in this regard was already issued on December 4, 2025 and the same can be referred at the link <https://mmjs.co/news/691c98d355ff9c202e7da627>

As the revised penalty regime is now in force, this alert provides a brief recap of the key changes for ease of reference. Please find below the details of important penalties:

SNo:	Description of Violation	Administrative penalties until 13 April 2026	Administrative penalties from 14 April 2026	MMJS Comments
01	Failure to keep the required records and other information.	AED 10,000 for the first time. AED 20,000 in case of repetition.	AED 10,000 for each violation. AED 20,000 in case of repeated violation within 24 months from the date of the last violation.	The penalty has been amended to apply for each violation . This change increases exposure, as multiple instances of non-compliance may now attract separate penalties of AED 10,000/20,000 each.
02	Failure of Registrant to inform of any case that may require the amendment of the information pertaining to tax record	AED 5,000 for the first time. AED 10,000 in case of repetition.	AED 1,000 for each violation. AED 5,000 in case of repeated violation within 24 months	With this change, if a business fails to update several details (e.g., trade license, address, and contact information), the FTA may impose a separate AED 1,000/5000 penalty for each information that is not updated.
03	Failure to settle the Payable Tax within the timeframe	i. 2% of the unpaid Tax shall be due on the day following the due date of payment ii. 4% for the subsequent month The penalty is applicable at a maximum of 300%	A monthly penalty of (14%) per annum	The previous 300% cap on late payment penalties has been removed. However, Article 24(4) of Tax Procedures Law which sets the statutory limit on administrative penalties at two times the amount of tax will remain the same.

SNo:	Description of Violation	Administrative penalties until 13 April 2026	Administrative penalties from 14 April 2026	MMJS Comments
04	Submission of incorrect tax return	<p>AED 1,000 for the first time. AED 2,000 in case of repetition. AED 500 or upto tax difference amount if the tax difference is less than the fixed penalty</p>	<p>AED 500. However, penalty will not be applicable in following cases: a. Tax Return is corrected within the submission deadline. b. Voluntary Disclosure is submitted to correct the tax Return without resulting in a difference in the amount of Due Tax.</p>	<p>The penalty has been revised to AED 500. Additionally, penalty of AED 500 has been waived if VD is submitted to correct the tax return without resulting in a difference in the amount of due tax.</p>
05	Submission of Voluntary disclosure ('VD')	<p>i. 5% on the difference, where the Voluntary Disclosure is submitted within one year from the due date of submission of the Tax Return, the Tax Assessment, or the relevant refund application. ii. 10% on the difference, where the Voluntary Disclosure is submitted within the second year. iii. 20% on the difference, where the Voluntary Disclosure</p>	<p>A monthly penalty of 1% on the Tax Difference, for each month or part thereof, to be applied as of the date following the due date of the Tax Return, or submission of the relevant tax refund application until the date of the Voluntary Disclosure is submitted.</p>	<p>Previously, penalties were determined based on the year in which VD was filed. For example, 5% in the first year up to 40% in the fifth year. Accordingly, the maximum penalty amounted to 40%. However, under Cabinet Decision 129 of 2025, penalties may now go up to 60%. Therefore, the longer the delay, the higher the applicable penalty.</p>



SNo:	Description of Violation	Administrative penalties until 13 April 2026	Administrative penalties from 14 April 2026	MMJS Comments
		<p>is submitted within the third year.</p> <p>iv. 30% on the difference, where the Voluntary Disclosure is submitted within the fourth year.</p> <p>v. 40% on the difference, where the Voluntary Disclosure is submitted after the fourth year from the due date of submission of the Tax Return, the Tax Assessment, or the relevant refund application.</p>		
06	Failure to submit a Voluntary Disclosure in relation to errors in the Tax Return, Tax Assessment, or tax refund application before Tax Audit Notification	<p>i. A fixed penalty of 50% on the amount of error.</p> <p>ii. A penalty of 4% for every month or part of the month, of the following:</p> <p>a. The unpaid Tax, from the date the payment is due until the date of receipt of the Tax Assessment.</p>	<p>1. Fixed penalty of 15% on the Tax Difference.</p> <p>2. Monthly penalty of 1% on the tax difference for each month (or part thereof), calculated</p> <p>a. If a Voluntary Disclosure is filed after audit notification- from the day after the tax return due date</p>	The monthly penalty calculation has been changed from 4% on unpaid tax until the date of Tax Assessment to 1% on the tax difference until submission of a VD after audit notification, or date of tax assessment if no VD is filed. Thereby, reducing the penalty substantially.



SNo:	Description of Violation	Administrative penalties until 13 April 2026	Administrative penalties from 14 April 2026	MMJS Comments
		b. The Tax that was not returned to the Authority due to ineligible refund, from the date of Tax refund to the date of receipt of the Tax Assessment.	until the date the voluntary disclosure is submitted. b. If no Voluntary Disclosure is filed – from the day after the return due date (or refund submission) until the date of issuance of the Tax Assessment.	

MMJS Comments

The revised administrative penalties introduced under Cabinet Decision No. 129 of 2025 largely reflect a reduction compared to the earlier penalty framework, indicating a more facilitative approach by the authorities. However, it is important to note that in certain cases, such as delays in filing voluntary disclosures, the penalties have been increased. In this scenario, the quantum of penalty escalates with the duration of the delay.

Accordingly, businesses must implement robust processes to monitor, identify, and address errors or omissions at the earliest possible stage to mitigate potential penalties. Where required, companies may also consider seeking support from tax experts to ensure timely compliance and effective risk management under the revised penalties regime.

For any further queries or to obtain a detailed analysis, please feel free to contact MMJS at the email addresses mentioned below.

Get in Touch with Our Team



Surandar Jesrani
Managing Partner & Group CEO



Ankur Jain
Partner, Tax



Rishabh Tandon
Associate Partner, Indirect Tax



Tarun Grover
Director, Indirect Tax



Vanita Nagpal
Senior Manager, Indirect Tax



Divya Mary James
Manager, Indirect Tax



Mir Mohammed Ali Omar
Manager, Indirect Tax

vat@mmjs.co

DUBAI

1402 - Level 14, Lake Central Tower – At The Bay, Business Bay,
Al Abraj Street, Dubai, UAE

Tel: +971 58 849 8132 | Email: info@mmjs.co