

How to deal with UAE Tax Assessments?

Companies in the UAE have received adverse VAT assessments, the inaccuracies that may have occurred inadvertently. In this week's tax insights, we will discuss the tax assessment in greater detail and the legal remedies that are available to the taxpayers.

Tax Assessments

The authority to assess taxes lies with the Federal Tax Authority ("FTA") under the Federal Tax Procedures Law and its executive regulations. This law is applicable to all substantive tax laws, including corporate tax, Value Added Tax (VAT) law, and excise tax law. Consequently, the FTA can assess any of these taxes based on the tax returns filed by the taxpayer.

The assessment and audit procedures involve site visits, and the outcome may either be adverse or confirm the accuracy of the tax returns.

Administrative Penalties

In cases of adverse tax assessments, administrative penalties are typically imposed in addition to the additional tax liability. These penalties, punitive in nature, may be fixed or variable. The calculation of administrative penalties is as follows:

Description of Violence	Amount (AED)
If the Taxable Person Failed to submit a registration application within the timeframe specified in the Law.	AED 1,000 for the first time.
If the Registrant failed to submit the Tax Return within the timeframe specified in the Tax Law. of Violence	AED 1,000 for the first time. AED 2,000 in case of repetition within 24 months (about 2 years).
If the Taxable Person failed to pay the Payable Tax stated in the submitted Tax Return or Voluntary Disclosure, or the Tax Assessment he was notified of, within the timeframe specified in the Tax Law.	1. The Taxable Person shall be obliged to pay the penalty applicable to late payment of Payable Tax up to a maximum of 300%, pursuant to the following: a. 2% of the unpaid Tax shall be due on the day following the due date of payment, when the settlement of Payable Tax is late. b. 4% monthly penalty is due after one month from the due date of payment, and on the same date monthly thereafter, on the unsettled Tax amount to date.
If the Person conducting Business failed to keep the required records and other information specified in the Tax Procedures.	AED 10,000 for the first time. AED 20,000 in case of repetition.
If the Registrant submits an incorrect Tax Return	1. Fixed penalty shall be applied: 1,000 for the first time. 2,000 in case of repetition. 2. If the incorrect Tax Return results in a Tax difference less than the fixed penalty, then a penalty equal to that tax difference or at least AED 500 shall be imposed. 3. If the registrant corrected the mistake before the due date, they will be excluded from penalty.

It is crucial for taxpayers to understand their tax obligations, adhere to relevant laws and regulations, and maintain accurate records to avoid administrative penalties and ensure a seamless tax compliance journey.

In instances where taxpayers believe that penalties are unjustly imposed, they have the right to request a review of the assessment, challenge penalties through the FTA's objection and appeal procedures, and seek legal remedies.

Tax Assessment Review Request

Taxpayers in the UAE can submit a tax assessment review request to the FTA if they disagree with the assessment. The review must be initiated within forty (40) business days of receiving the notification and the tax assessment, with the FTA expected to issue a decision within forty (40) business days and notify the taxable person within five (5) business days.

Request for Reconsideration

If the initial review is unfavorable, taxpayers can file a reconsideration request within forty (40) business days of the decision. Adherence to FTA guidelines and deadlines is crucial for submitting such requests. The FTA will review the reconsideration request, issue a decision within forty (40) business days, and notify the taxable person within five (5) business days.

Objection Filed Before the Tax Committee

Although the FTA may consider reducing administrative penalties during the reconsideration request, if the taxpayer remains dissatisfied, they can file an objection to the FTA. This objection must be submitted within 40 business days of the notice of assessment or reconsideration decision. The FTA will review the objection, pass a decision within twenty (20) business days, and notify the taxable person within five (5) business days.

If the objection remains unresolved, the taxpayer may apply to the Competent Court within forty (40) business days of receiving the decision from the committee.

The FTA aims to ensure a fair and transparent tax system, and cooperation from taxpayers throughout the assessment, reconsideration, and objection processes is essential. Seeking professional advice or legal counsel can assist in preparing accurate VAT, excise, and corporate tax returns, allowing businesses to navigate the complexities of taxation diligently and minimize uncertainties.