

# UAE Administrative Penalties Update

Cabinet Decision No. 129 of 2025 

Effective 14 April 2026



# Why This Update Matters

The penalty system is now simpler, proportional, and less punitive.

The FTA has:

- ❗ Reduced many fixed penalties.
- ❗ Simplified late payment and voluntary disclosure rules.
- ❗ Clarified timelines for invoices and credit notes.
- ❗ Aligned terminology with the new Tax Procedures Law (Federal Decree-Law No. 28 of 2022)

This is one of the largest penalty overhauls since VAT introduction.

**This is effective from 14 April 2026**

# Late Payment of Tax Major Change

This penalty applies when tax was due but not paid on time.

## Old Penalty System



### 2% next day

Even if you were 1 day late, a 2% penalty hit immediately.

### +4% monthly

Every month, another 4% added.

### Up to 300% total

A small unpaid tax could become 3× the original amount.

#### Example (Old System):

If VAT payable was AED 10,000 → after a few months, penalties could reach AED 30,000.

## New Penalty System



### 14% per annum, applied monthly

Similar to the Corporate Tax late-payment penalty system.

### Starts day after due date

Same as old system.

#### Example (New System):

AED 10,000 unpaid tax → monthly penalty around AED 116 only (until the payment is done).

# Voluntary Disclosure **BEFORE** Audit

When YOU find a mistake and voluntarily correct it.

<b>Old Penalties</b> <span>×</span>	<b>New Penalties</b> <span>×</span>
<p><b>5%–40% fixed fine</b> Based on delay period.</p> <p><b>Monthly penalties added</b> fixed penalty could be a maximum of AED 20,000</p> <p><b>Example (Old System):</b> If tax difference was AED 50,000 → fixed penalty alone could be AED 20,000.</p>	<p><b>1% per month</b> Only on the tax difference.</p> <p><b>No fixed penalty</b> Early correction is rewarded.</p> <p><b>Example (New System):</b> Tax difference AED 50,000 → penalty ≈ AED 500 per month.</p>



## **Why this matters:**

This will encourage voluntary compliances

# Voluntary Disclosure **AFTER Audit Notification**

## Old Penalties ×

### 50% fixed penalty

Based on audit findings

### +4% monthly

Added until resolved.

#### **Example (Old System):**

50% of AED 100,000 = AED 50,000  
fixed penalty

## New Penalties ×

### 15% fixed penalty

On the tax difference

### +1% monthly

On the tax difference

#### **Example (New System):**

15% of AED 100,000 = AED 15,000  
only

# Voluntary Disclosure Documentation Penalties

Violation	Old Penalty	New Penalty	Explanation
Not keeping records	AED 10,000	<b>AED 1,000</b>	90% reduction
No Arabic documents	AED 20,000	<b>AED 5,000</b>	75% reduction
Failure to notify FTA of legal representative	AED 10,000	<b>AED 1,000</b>	90% reduction
Not updating tax information	AED 5,000	<b>AED 1,000</b>	80% reduction

FTA is reducing penalties for procedural or documentation errors.

# Tax Return Filing Penalties

These penalties apply every quarter/month depending on your return cycle.

Violation	Old Penalty	New Penalty	Explanation
First late filing	AED 1,000	<b>AED 1,000</b>	No change
Repeated late filing (within 24 months)	AED 2,000	<b>AED 2,000</b>	No change
Incorrect return	AED 1,000–2,000	<b>AED 500</b>	90% reduction

## Why reduced?

FTA has rationalized the incorrect tax return filing penalty

# Final Takeaways

What This New Penalty System Really Means for Businesses.

- **Lower penalties for documentation errors**  
(From 10k–20k down to 1k–5k)
- **Voluntary Disclosure is now encouraged**  
(Fixed penalties removed for early correction)
- **Late payment penalty is rationalized**  
(14% per year vs 2% + 4% monthly)
- **Invoice & DoS rules are stricter**  
(FTA will check timing, not just documents)
- **Audits become more important**  
(FTA expects businesses to disclose before notification)



# STAY COMPLIANT. STAY AHEAD.

Need help understanding how these new penalties will impact your business?



FOR A WORKING SESSION  
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