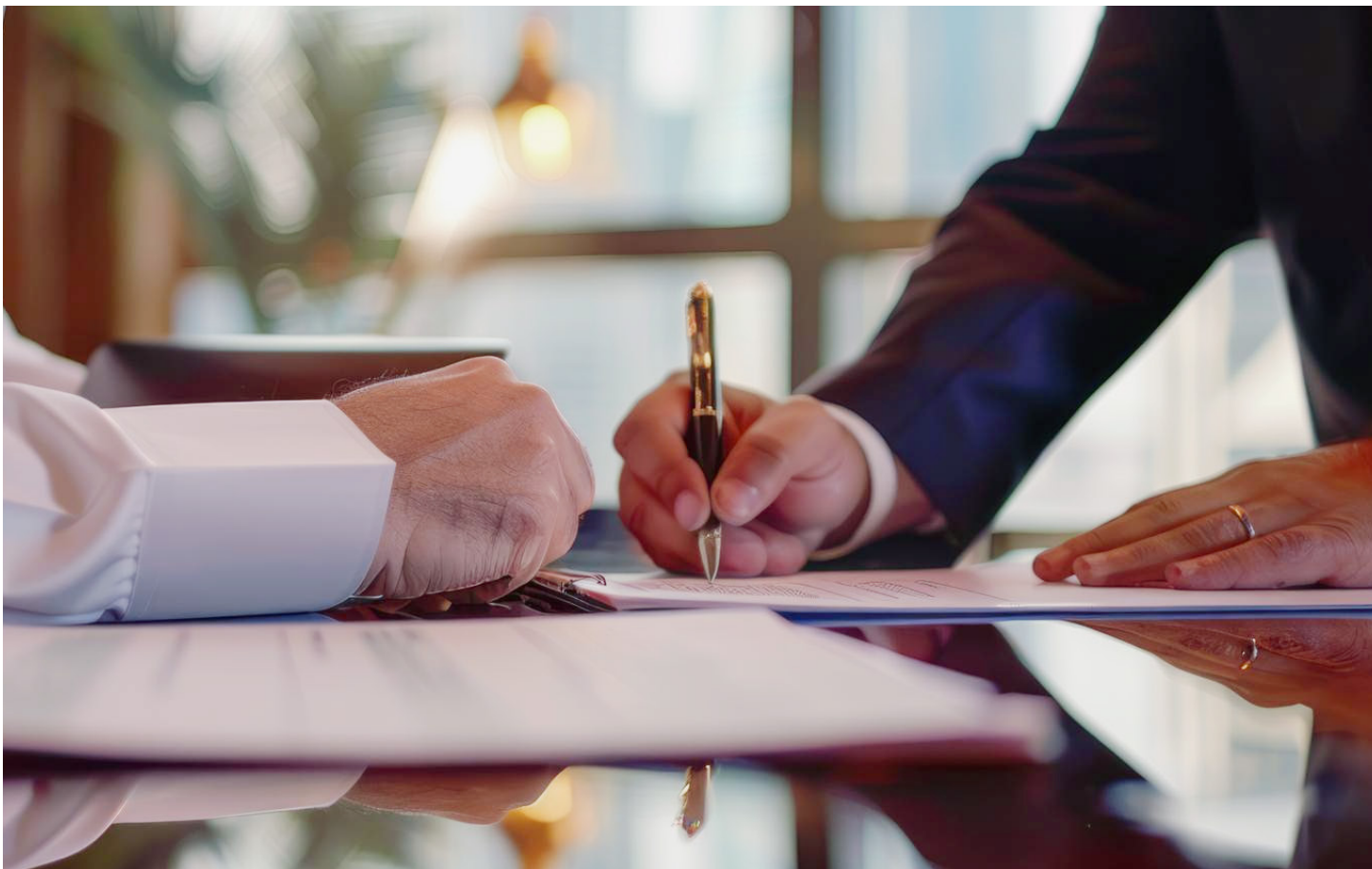


Cabinet Decision No. 129 of 2025

– Key Amendments to UAE Administrative Penalties

The UAE Cabinet has issued Cabinet Decision No. 129 of 2025, revising the framework for administrative penalties under UAE tax laws.

Effective 14 April 2026, this Decision amends key provisions of Cabinet Decisions No. 40 of 2017 and No. 49 of 2021, aiming to simplify penalty structures, enhance proportionality, and encourage voluntary compliance through a more transparent system.



1. Scope and Objective

This Decision applies to administrative violations under:

- ▶ Tax Procedures Law (Federal Decree-Law No. 28 of 2022)
- ▶ Excise Tax Law (Federal Decree-Law No. 7 of 2017)
- ▶ Value Added Tax Law (Federal Decree-Law No. 8 of 2017)

Objective:

To simplify penalty determination, reduce administrative complexity, and encourage voluntary compliance through clarity and proportionality.

2. Key Highlights – Comparison with the Previous Framework

Area	Previous Framework	Updated Framework	Andersen Observation / Impact
Failure to keep required records	AED 10,000 / 20,000 repeat	AED 10,000 / 20,000 repeat	Although the penalty amount remains unchanged, the FTA has consistently increased its focus on documentation integrity under EmaraTax. Businesses should note that inadequate record-keeping often triggers secondary violations (incorrect returns, inability to substantiate transactions, audit complications). The unchanged penalty reinforces that maintaining complete, accurate, and retrievable records is a cornerstone of compliance and continues to represent a high-risk area during FTA audits.
Failure to submit records in Arabic	AED 20,000	AED 5,000	Supports bilingual operations and reduces administrative strain.
Late registration / deregistration	AED 10,000 / AED 1,000 per month (cap AED 10,000)	<i>Unchanged</i>	Highlights the FTA's strict stance on monitoring taxable thresholds and deregistration triggers.
Failure to update tax registration details	AED 5,000 / 10,000 repeat	AED 1,000 / 5,000 repeat	A more proportionate approach to administrative matters; encourages timely updates during changes in business structure.
Late filing of tax return	AED 1,000 / 2,000 repeat	<i>Unchanged</i>	While unchanged, EmaraTax automation may increase frequency of triggered penalties for late filings.
Late payment of tax	2% day after due date + 4% monthly (capped via old structure)	14% per annum, computed monthly (1.17% per month)	the new regime is materially better and more predictable. The simplification removes compounding layers and lowers effective penalties for most delays.
Incorrect tax return	AED 1,000	AED 500 unless corrected by deadline	FTA encourages proactive self-correction.
Voluntary Disclosure penalties	5–40% tiered based on delay	1% per month on the tax difference	The revised regime streamlines the penalty mechanism and removes multiple layers of calculation, offering taxpayers a clearer and more transparent methodology. The continuous monthly accrual places emphasis on early error identification and prompt disclosure, while also ensuring proportionality between the delay period and the resulting penalty. Businesses should adapt internal processes to detect errors sooner to manage exposure effectively under the new model.
Failure to disclose before audit	50% + 4% monthly	15% + 1% monthly	A more proportionate approach. Bigger relief compared with old regime.
Failure to facilitate audit	AED 20,000	AED 20,000, with expanded scope	Amount unchanged, but FTA has widened the scope, increasing risk for persons in charge.

3. Andersen Analysis – High-Impact Changes with Examples

A. Late Payment of Tax

Example: VAT payable of AED 100,000 delayed by 8 months.

- ▶ Old Regime:
2% immediate + 4% monthly = (30%) = AED 30,000
- ▶ New Regime:
14% per annum (1.17% monthly) → = AED 9,333

Andersen View

The new regime is materially more favourable in almost all short- and medium-term delays. It removes compounding penalty jumps and provides a clear annualised rate. However, prolonged delays (multi-year) will still accumulate due to continuous accrual.

B. Voluntary Disclosure

Example: A taxpayer discovers an underreported VAT liability of AED 200,000 after 18 months.

- ▶ Old Regime:
Fixed penalty = 10% (within 2 Years) → AED 20,000
- ▶ New Regime:
 $1\% \times 18 \text{ months} = 18\% \rightarrow \text{AED } 36,000$

Andersen View

In this scenario, the old regime results in a lower immediate fixed penalty for disclosures within the first two years. While the new model simplifies calculations, taxpayers may face higher cumulative exposure over mid-term periods, reinforcing the benefit of early, structured voluntary disclosures under the previous framework.

C. Failure to Disclose Before Audit

Example: AED 500,000 undeclared VAT found over a 12-month period.

- ▶ Old Regime:
 $50\% + 4\% \text{ monthly} \approx 98\% = \text{AED } 490,000$
- ▶ New Regime:
 $15\% + 1\% \text{ monthly} = 27\% = \text{AED } 135,000$

Andersen View

This is one of the most favourable changes, reflecting a shift from punitive to proportionate enforcement. However, because the FTA expects proactive disclosure, taxpayers must strengthen monitoring and internal escalation policies.

4. VAT- and Excise-Specific Penalties

No significant changes were made in VAT- or Excise-specific penalties relating to:



Display prices including tax



Movement/storage of excise goods between Designated Zones



Issuance of tax invoices



E-invoicing / invoicing requirements

| Andersen View

FTA's priorities continue to be invoice integrity, traceability, and reliability of transactional data—especially as e-invoicing expands.

5. Implications for Businesses

This reform moves the UAE penalty system toward simplicity and transparency. Key implications include:



Predictability: Straightforward percentage-based models simplify forecasting.



Continuous accrual: Sustained delays now have clearer but ongoing cost



Governance focus: Stronger internal controls and reconciliations are now essential.



Technology alignment: Accurate and up-to-date records in EmaraTax significantly reduce administrative penalty risks.

| How Andersen Can Support

We help businesses navigate the revised penalty landscape through:



Penalty simulation modelling based on historic data



Strengthening governance, documentation, and reconciliations



Advising on early Voluntary Disclosures and mitigation strategies

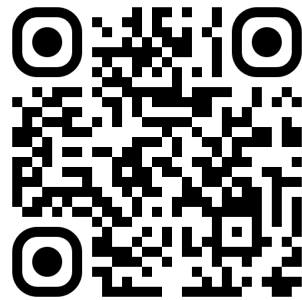


Audit readiness support and FTA interaction management

The 2025 reform reflects the FTA's shift toward clarity, proportionality, and compliance culture. Companies with strong processes, disciplined filings, and proactive disclosures will benefit most under the new system.



Reach us for expert advice



info@ae.andersen.com
800 2829

803, New Global Tower, Electra Street, Abu Dhabi
402, Arenco Tower, Dubai Media City, Dubai
AB 1002, Jafza One, Jebel Ali Free Zone, Dubai

