

A MAJOR CHANGE OF APPROACH: UAE Introduces Fundamental Amendments to Tax Procedures Law

In brief

The UAE Legislator have always taken into account the obstacles and complications that may delay the ability of any sectors covered by the legislations to achieve the desired results. It was also developed in line with the leadership keenness to create a supportive environment for businesses of different specialties, which requires the establishment of clear legislative and legal sequences in order to ensure the ability to deal effectively with the global and local economy's developments. The laws and regulations considered as a cornerstone to create a strong business sector that has a leading role in the region and the world, and a solid platform to meet the leadership aspirations of future foresight's requirements.

In line with the foregoing, H.H. Sheikh Mohamed bin Rashed issued a number of legislative amendments to existing Tax Procedures Law, in addition to amendments to the Law of Insolvency for natural persons to adapt to the impact of current circumstances on insolvent persons and to ease the burden on the business sector. The amendments encompassed the following:

- To reduce the financial burden on taxable persons in the business sector who are unable to pay penalties and ease up things for them under these circumstances, the cabinet approved the issuance of a decision to amend the Cabinet's resolution regarding its resolution on administrative fines penalties for violating tax laws in the UAE. The resolution also aims to encourage tax payers to comply with taxation by correcting previous tax declarations within the voluntary declarations, as well as encouraging them to pay due taxes before the tax audit or assessment by FTA.
- With a view to facilitating administrative procedures and adding more flexibility to the legislative framework regulating these matters in a way that guarantees support for the UAE's competitiveness in the business sector, the Cabinet has approved a number of projects to develop government laws and legislation, whereby a resolution was adopted to amend the executive regulations of the federal law on tax procedures.
- According to the amendment aiming at reorganizing tax procedures to fulfill the requirements of the current period and to ensure tax compliance, **the time limit**

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for tax notification will be extended from 10 to 40 working days. The time limit for the Federal Tax Authority (FTA) to issue its decision to reduce or exempt administrative penalties will also be **extended from 20 to 40 working days starting from the date of receiving the application.**

The amendments related to the Tax Procedures Law are ought to have a huge positive impact in settling the huge controversy resulted from the judgment issued by the UAE Supreme Federal Court on 14 October 2020, concerning the imposition of penalties resulting from a voluntary disclosure, which in reality confirmed the FTA's imposition of delay administrative penalties in case of voluntary disclosure that goes up to 300% in most of the cases.

It is very interesting to see the interplay of the recent amendments with the ongoing cases which are still being litigated before the various federal courts, especially those involving voluntary disclosures penalties.

We are currently waiting for the full decree to be issued to pursue all possible avenues for settlement of existing tax disputes either before the FTA or before the competent courts, as applicable.

Challenge process

This latest developments confirm the necessity for taxpayers to adequately consider adopting appropriate strategies before or when pursuing tax challenges before the TDRC and Federal Courts that would adapt with any new legislative developments. A matter that Baker McKenzie Habib Al Mulla has always been successful in doing for all clients to date. We are happy to support you throughout the challenge process in relation to your tax dispute and litigation matters.

Seek legal counsel

Over the last two years, Baker McKenzie Habib Al Mulla has increasingly been instructed to handle multiple first-of-its kind cases involving complex issues of VAT, excise duty, and penalties relating to tax returns and voluntary disclosures and others. Led by senior lawyer **Mohamed El Baghdady** who is the firm's go-to specialist on tax litigation, we have successfully represented clients across various industries, including consumer goods and retail, services and banking and finance, before the tax tribunals and courts. Mohamed's track record shows multiple successes achieved on behalf of a growing client base in the field of tax disputes.

We are happy to support you throughout the challenge process in relation to your taxes and penalties. For further information, please contact **Mohamed El Baghdady** and **Reggie Mezu**.

This alert is prepared by Mohamed El Baghdady (Senior Associate, Tax Litigation, Dubai)