



Voluntary Disclosure – Online Submission Enabled

Introduction

The Federal Tax Authority ('FTA'), in accordance with Article 10 of the Federal Law No. (7) of 2017 on Tax Procedures ('Tax Procedures Law') and Article 8 of the Cabinet Decision No. (36) of the 2017 on Executive Regulations on Tax Procedures ('Executive Regulations on Tax Procedures'), recently made available the facility to submit voluntary disclosure on its e-services tax portal.

In this alert, we have summarised the purpose and procedure for making a voluntary disclosure:

What is Voluntary Disclosure

As per the Tax Procedures Law, 'Voluntary Disclosure' is defined as a form prepared by the FTA where the taxpayer notifies the FTA of any errors or omissions relating to tax returns, tax assessments or tax refund applications.

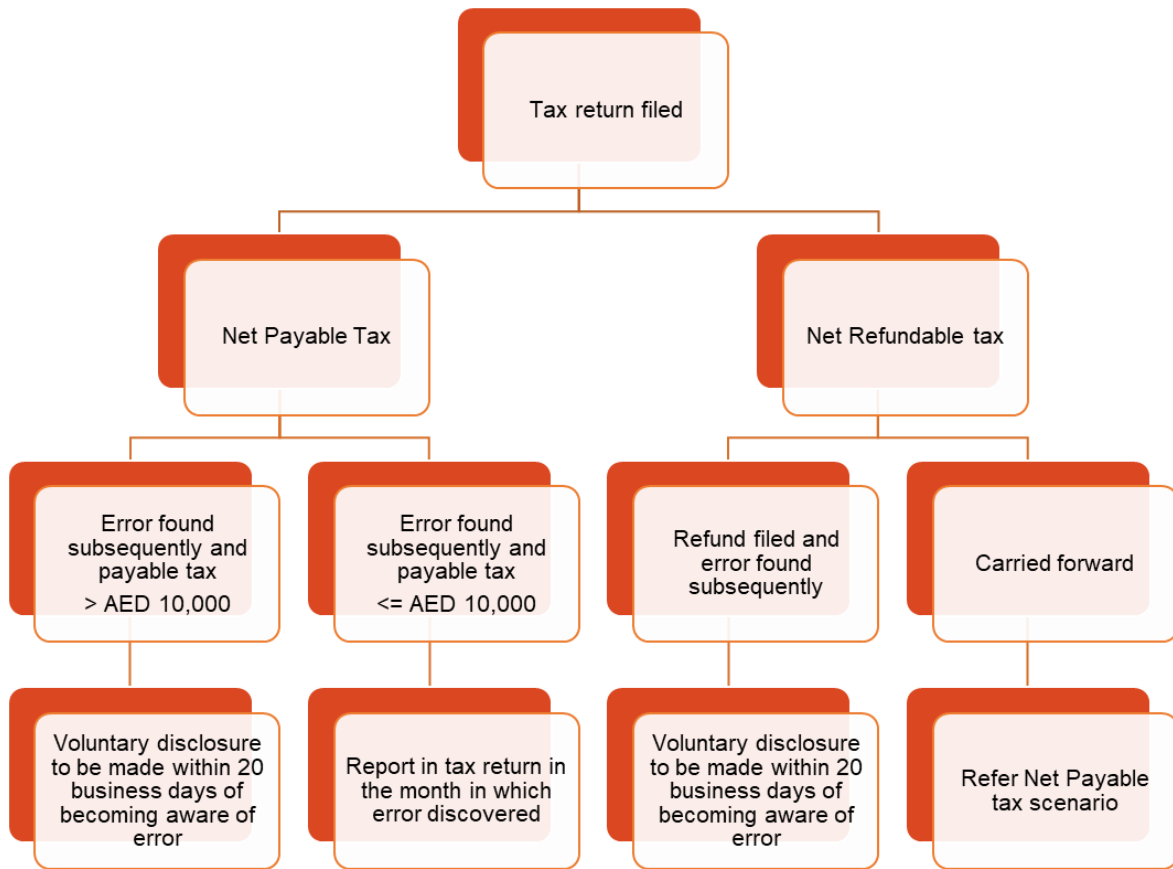
Type of error(s)

As per the Taxable Person Guide, a taxable person is required to correct errors either *suo-moto* or subsequent to tax assessment in the following cases:

- Calculated output tax incorrectly;
- Recovered incorrect amount of input tax; and
- Incorrect tax refund amount claimed



Mechanism to correct error(s)



Example

Scenario	Net Tax due - Return filed	Revised Tax due	Difference in tax due	Impact	Voluntary disclosure
1	150,000	180,000	30,000	Increase in tax due	√
2	150,000	155,000	5,000	Increase in tax due	X
2	150,000	145,000	-	Decrease in tax due	X
3	(75,000)	(65,000)	10,000	Decrease in tax refund claimed	√
4	(75,000)	(100,000)	-	Increase in tax refund claimed	√
5	(75,000)	15,000	15,000	c/f balance - Increase in tax due	√



Procedure for applying online

Application for voluntary disclosure is to be made online. Following details to be submitted:

- Date on which the error was identified
- Amount as per current vs. amount reported earlier – Sales and all other outputs / Expenses and all other Inputs, Net amount due
- Upload supporting document – a letter stating the background facts and a detailed description of the error(s) disclosed in the Voluntary Disclosure Form. The letter should also indicate the reasons for the Voluntary Disclosure and the errors disclosed as well as the impact on the relevant sections/boxes of the tax return.

Administrative Penalties related to Voluntary disclosure

As per Cabinet Resolution No. (40) of 2017 on Administrative Penalties for Violations of Tax Laws in UAE, two penalties would be imposed:

1. Fixed penalty of:
 - a. AED 3000 – for first time
 - b. AED 5000 – on repetition

2. A percentage of amount unpaid due to the error –
 - a. 50% if person does not make voluntary disclosure or it is made after being notified or after information sought for tax audit
 - b. 30% if person makes voluntary disclosure after being notified of tax audit but before Authority start tax audit
 - c. 5% if person make voluntary disclosure before being notified of tax audit by authority

Our Comments

The online facility for voluntary disclosure is beneficial for the taxpayers to revise the tax returns filed in the past and correct the errors.

While this is beneficial, it is important for businesses to undertake VAT compliances prudently and seek diagnostic review of the returns filed to ensure correctness and to safeguard itself from substantial administrative penalties.



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