



# The Federal Tax Authority Annual Report

## 2019



### Constant Development



### Continuous Achievements

The annual report of the Federal Tax Authority reviews the most prominent achievements accomplished by the Authority during 2019, including the statistical indicators of such achievements.

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**"We are committed to establishing a balanced economic structure based on the diversification of income sources. We are also dedicated to ensuring continued growth amongst all sectors as well as raising our citizens income levels and standard of living."**

His Highness Sheikh Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

"May God bless him"







**"Our economic diversification strategy is a byproduct of our efforts to strive for excellence which leads our nation to the top of the Global Competitive Index."**

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai

"May God bless him"

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# FTA's Board of Directors

H.H. Sheikh Hamdan bin Rashid Al Maktoum  
Chairman of the Federal Tax Authority

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H.E. Obaid Humaid Al Tayer,  
Deputy Chairman of the Federal Tax Authority

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H.E. Younis Haji Al Khouri  
Board of Directors Member

H.E. Sultan Ahmed Bin Sulayem  
Board of Directors Member

Sheikh Mohammed bin Abdullah bin  
Sultan Al Nuaimi  
Board of Directors Member

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H.E. Mohammed Sultan bin  
Ghanom Al Hameli  
Board of Directors Member

H.E. Mohammed Khadem Al Hameli  
Board of Directors Member

H.E. Abdulrahman Saleh Al Saleh  
Board of Directors Member

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H.E. Waleed Ibrahim Al Sayegh  
Board of Directors Member

H.E. Khalifa Saeed Ghanim  
Board of Directors Member

H.E. Yousef Muhammad Al Balushi  
Board of Directors Member

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H.E. Ali Murshed Al Marar  
Board of Directors Member

H.E. Youssef Abdullah Al Awadi  
Board of Directors Member

H.E. Saeed Rashid Al Yateem  
Board of Directors Member

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Mrs. Azza Mohamed Al Suwaidi  
Board of Directors Member

Mrs. Alia Mohammed Al Marmoum  
Board of Directors Member

H.E. Ali Khalfan Al Dhaheri  
Board of Directors Member

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## Reinforcing Strategic Partnerships

Driven by the directives of the wise leadership to elevate the quality of life of individuals in a sustainable environment and developing government services to improve the well-being of members of society, the Federal Tax Authority is constantly working on the development and improvement of its systems and services to make its clients happy.

The FTA continues its quest to provide all means of support and assistance to enable taxpayers to comply with tax rules and obligations via simple methods based on international best practices. Therefore, the Authority is continuously developing its

systems with the objective of facilitating procedures for its clients. One major goal of the Authority is to constantly upgrade its services under a modern and comprehensive legislative system that is characterized by the highest standards of governance and transparency.

The Authority exerts every effort to achieve the developmental, economic and community objectives of the tax system through closer cooperation and strategic partnerships with all stakeholders in the government and private sectors which have the greatest impact on spreading awareness and normalizing tax culture among

taxpayers and all segments of society in general, having provided the necessary foundations for voluntary compliance through its comprehensive digital systems.

This annual report reviews the highlights of the results and achievements accomplished by the Authority during 2019 across all of its operations, and on-going development in various areas.

**H.E. Khalid Al-Bustani**

Director-General of the FTA



# Vision - Mission - Core Values

## Vision

To be a pioneering, world-class tax authority that supports sustainable financial diversification.

## Mission

To collect and administer federal taxes, in addition to implementing tax regulations in accordance with high standards and international best practices, striving for innovation and efficiency, and focusing on stakeholder needs and customer expectations.

## Core Values

Integrity

Leadership & Excellence

Innovation

Professionalism

Professionalism

**The Federal Tax Authority is Committed to:**

Delivering our tasks and services with clarity, coordination and transparency according to tax laws and regulations.

Applying the best international practices and systems in taxes, while continuously working on a sustainable route for development and improvement.

Continually utilizing innovation in policies and procedures to achieve a paradigm shift in tax laws and procedures.

Delivering our services to the highest levels of professionalism according to tax laws and regulations .

Working as a unified team to provide the best services in all operations and transactions.

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# Responsibilities

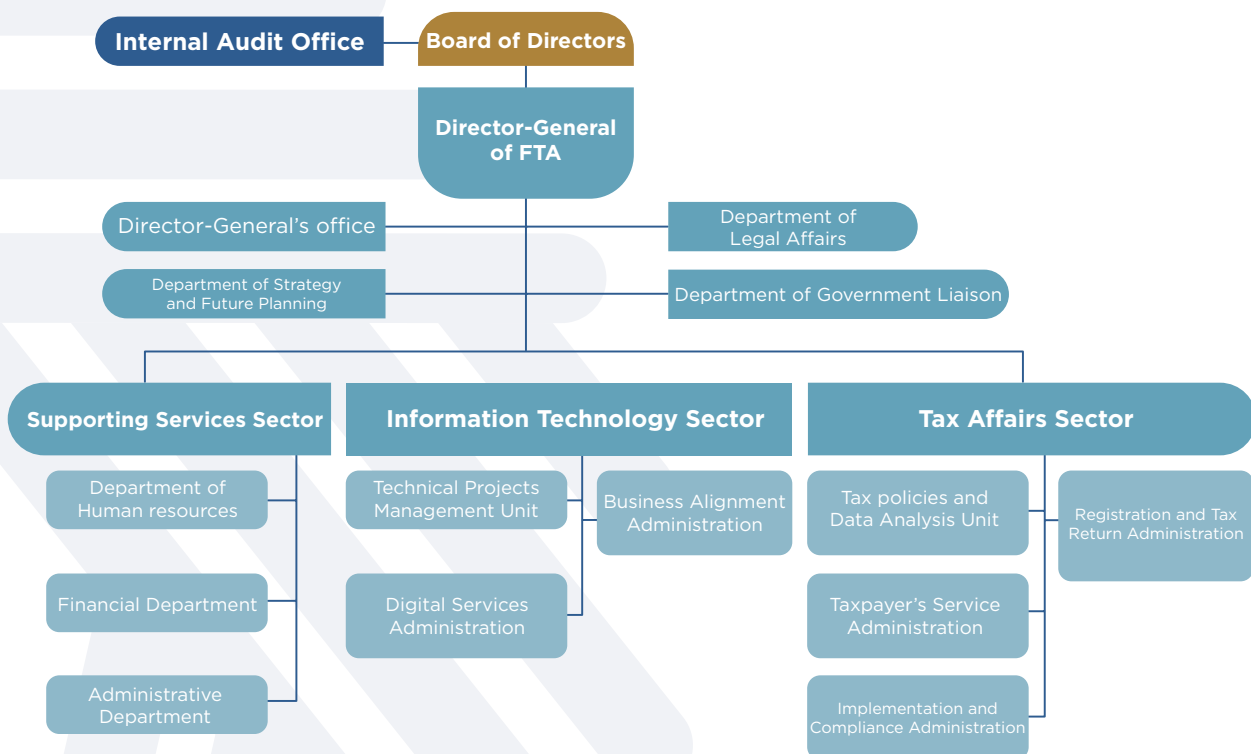
- To propose legislation on the administration, collection and enforcement of federal taxes and associated fines, and the distribution of tax revenues in coordination with the Ministry of Finance.
  - Gathering data and statistical information on federal taxes and associated fines.
  - Creating and maintaining registered taxpayer records as determined by the enacted tax laws.
  - Issuing the necessary directives and clarifications to taxable persons regarding the extent of their federal tax obligations and associated fines, in accordance with the mechanisms by which the Board of Directors of the Authority issues a decision.
  - Coordinating with the UAE Federal Government, the governments of each Emirate and taxpayers on all matters related to federal taxes and associated fines.
  - The application of enacted laws and regulations regarding federal taxes and associated fines.
  - Payment of the financial obligations of the Authority.
  - Application of double taxation avoidance agreements ratified by the State.
  - Avoiding double taxation and combating tax evasion in cooperation with relevant authorities within and outside the UAE.
  - Making decisions on all applications for registration in the State's tax systems and allocating tax return numbers (TRN) for such registration within the tax system.
  - Outsourcing to certain entities the carrying out of some works required by the Authority in order for it to exercise its competencies and functions.
  - Exchange of tax-related information and expertise with other States, international organizations, bodies and federations.
  - Coordination with the competent authorities concerning memberships in international tax-related organizations, bodies and federations.
  - Representing the UAE at regional and international conferences and meetings whose activities relate to tax matters, in coordination with the competent State authorities.
  - Inspection of taxpayer records, official papers and documents.
  - Auditing and reviewing tax returns and reports submitted to the Authority to decide whether to approve or amend them, or request any additional information or documentation.
  - Issuing Federal Tax Certifications.
  - The application of mechanisms to settle disputes between taxpayers and the Authority in accordance with legislations in force.
  - Request access to any data or information held by any third party in possession of information relating to a person subject to a tax check, which may be necessary for such checks.
  - Maintaining the right to claim information from any person that deals with another person who is subject to a tax audit, to provide information on such transactions.
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# Establishment and Organizational Chart

Within the framework of the UAE's economic diversification strategy and sustainable development, the Federal Tax Authority was established by Federal Decree-Law No. (13) of 2016 as a Public Federal Authority, an independent legal entity with legal power to act independently on a financial and administrative level. The Authority's administration, policy-making and supervision is carried out by a Board of Directors, chaired by the UAE Minister of Finance.

The Authority is in charge of collecting and managing federal taxes and related penalties, distributing tax-generated revenues and applying all tax-related procedures in the UAE. The headquarters of the Authority is located in the capital city of Abu Dhabi and there is a main branch in Dubai.

## The organizational Chart of the Federal Tax Authority according to the UAE Cabinet's decision of 2018



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# Results and Achievements

The Federal Tax Authority continued in this year to implement its development plans, drawn up on the basis of an ongoing evaluation of the operational procedures of tax legislation in general to achieve the best standards of efficiency in performance, so as to achieve taxpayer happiness whether they are in the business sectors or consumer citizens, residents, visitors or tourists.

The Authority is keen to analyze the observations and opinions of clients and attaches great importance to their input, while continuing to engage with its strategic partners in both government and private sectors to consult on the ongoing development plans of the Authority, looking to incorporate their observations with a view to achieving the best standards in the application of tax regulations.

The Authority recorded many positive results that had the greatest impact on the steady increase in the rates of self-compliance with tax regulations, the high level of awareness among taxpayers, and the increased effectiveness of the activities and services provided to customers.

The year 2019 witnessed notable achievements in the Authority's endeavors and saw a marked expansion and paradigm shift in its services, a number of updates on the Authority's digital systems, a series of tax legislative developments, the consolidation of excellence and business harmonization, and the launch of new awareness-raising plans and programs.

The annual report of the FTA tracks the major results and achievements of the Authority in various sectors during 2019, based on its main and supporting strategic objectives.

# FTA Strategic Objectives

## First Objective: To develop an integrated and effective tax environment in accordance with the best international practices and systems.

**Description:** This strategic objective ensures that the Authority develops and applies tax systems that enable taxable persons to pay their taxes and that enable the Authority to collect taxes in an effective manner, and thereby contribute to the economic development of the State.

## Second Objective: To achieve the highest levels of tax compliance and promote self-compliance among taxpayers.

**Description:** This strategic objective ensures that the Authority develops and applies tax compliance systems that cover tax returns, declarations, audits and enforcement, and deals with non-compliance. This is in addition to developing and implementing programs and activities which help taxpayers understand their tax responsibilities in order to create an environment conducive to compliance with tax laws and procedures.

## Third objective: To ensure delivery of administrative services based on quality, efficiency and transparency standards.

**Description:** This strategic objective ensures that the FTA develops and implements programs and activities of supporting functions with quality, efficiency and transparency to support the various departments in fulfilling the various functions of the Authority.

## Fourth objective: To establish a culture of innovation in the institutional work environment.

**Description:** This strategic objective ensures that the Authority develops and implements programs and activities that encourage all those involved to innovate in service provision, processes and systems in order to enable a paradigm shift in tax laws and procedures and to create future plans that keep pace with local, regional and global developments.



## 5. Government Communication, Media and Social Media:

- Media awareness-raising campaign to publicize the “Tax Clinic”, its objectives and schedule.
- Media campaign under the name “Your Tax Invoice, Your Right” to inform consumers of the importance of having tax invoices for their purchases.
- Media campaign to emphasize the importance of verifying the existence of Digital Tax Stamps (DTS) on cigarette packaging in order to avoid commercial fraud and combat tax evasion.
- Media campaign to publicize the objectives and mechanisms of the expansion of excise taxation and digital registration procedures.

## 6. Guidelines, Clarifications and Instructional Publications:

### Intensive efforts exerted during 2019 to raise tax awareness

669

participants benefited from 15 meetings under the “Tax Clinic” initiative.

1975

stores inspected in 15 tours carried out under the umbrella of the “Tax Invoice” campaign.

482

stores visited in 21 tours launched to introduce the “Marking Tobacco and Tobacco Products” scheme.

29

guideline manuals to simplify tax procedures.

333

general and case-specific clarifications through the Authority’s website to raise tax awareness.

71

press releases and 51 awareness-raising bulletins (Infographics) produced by the Authority over the course of the year.

206

posts across social media platforms.

60

media queries answered by the Authority.

- 325 special clarification manuals for taxpayers, 8 general explanations, 16 tax guidance manuals in Arabic and 13 in English, have been issued and updated.
- Production of six e-learning programmes in English and the launch of five awareness-raising bulletins.
- 25 administrative exception decisions on tax invoices, credit tax notices, extensions of the period of exports, and exceptions to export documents.
- 51 awareness-raising bulletins (Infographics) in Arabic and English, and two videos in both languages.
- Publication of 48 press releases.
- 206 posts on social media.
- 14 media interviews.
- Responses to 60 media queries received by the Authority via the e-mail assigned for media inquiries.

# Part One

## Developing tax environment

### Chapter I: Raising Tax Awareness

**In 2019, the Authority intensified its awareness-raising efforts through a series of meetings, seminars, introductory workshops, the issuance of guides and clarifications, and rapid responses to questions from taxpayers, in addition to a number of advertising and media campaigns, responses to media inquiries and other awareness-raising instruments.**

#### 1. Tax Clinic:

- The Federal Tax Authority's "Tax Clinic" campaign rounds have been intensified in cooperation with local economic development departments and municipalities, through which direct communication is made with businesses with the objective of supporting taxpayers and fully informing them of their tax obligations, which in turn evokes self-compliance to the tax system through submission of tax returns and payment of due taxes. The campaign covers all Emirates of the UAE, and there are FTA representatives available at the locations of the Clinics to answer all queries raised by business sector representatives.
- Fifteen meetings were organized within the framework of "Tax Clinics" during which 669 persons involved with the tax system were in attendance.

#### 2. Tax Invoice Campaign:

- The Authority launched a field campaign to communicate directly with retailers and consumers in local markets to raise awareness of the legal standards required for tax invoices and the importance of their being issued by all businesses registered in the VAT system in order to safeguard consumers' best interests.
- The campaign included all Emirates of the UAE under the slogan, "Your tax invoice, your right," within the Authority's plan to raise tax awareness in general and to publicize the importance of having a tax invoice in particular. The campaign is being carried out in cooperation with economic development departments and other stakeholders in the State with a view to protecting the rights of consumers and increasing the level of tax compliance in local markets.

- A total of 15 market inspection tours were conducted in all seven municipalities within the framework of the "Tax Invoice Campaign", which included 1,975 retailers.

#### 3. Tobacco Marking Campaign:

- The Authority launched an awareness-raising/inspection campaign to verify compliance with the decision to ban the circulation of cigarette packaging not carrying a "Digital Tax Stamp" in local markets, a decision that came into force in 2019.
- During the campaign, direct contact was made with retailers and consumers in local markets to raise awareness of the importance of their full commitment to the implementation of the "Marking Tobacco and Tobacco Products" scheme. Joint teams of specialists from the FTA and economic departments toured shopping centres, shops and retail markets to publicize the importance of adhering to the system and clarifying the administrative penalties imposed in cases of non-compliance with tax laws.
- 21 market tours were carried out, which included inspecting 482 stores, within the framework of the "Marking Tobacco and Tobacco Products Campaign" across all municipalities of the UAE.

#### 4. Workshops:

- The Authority held 6 workshops, including 3 on "The Objectives and Mechanisms for the Expansion of Excise Taxation, and Procedures for Electronic Registration to the FTA", and 3 workshops for tax agents and the Finance Department in Ajman.

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# Part Two

## Building an Efficient Tax System

# Chapter I: Registrations and Tax Returns

The Authority continued to utilize a range of procedures that facilitate the process of managing registrations and tax returns in accordance with global best practices, achieving better interaction with taxpayers, and managing and collecting taxes in a transparent and straightforward manner.

The Authority is keen to overcome any obstacles that taxable persons may come across during registration or filing their tax returns, and is therefore intensifying its efforts to ensure that all applications for registration or electronic returns are thoroughly reviewed, to verify the accuracy and credibility of the data submitted, with the objective of ensuring efficient compliance with the tax system, its mechanisms and the commitment to uphold tax laws and regulations.

The Authority provides the appropriate procedural environment to enable taxpayers to register, file tax returns and make their due tax payments. Some significant indicators for the successes in the process of registration and submitting tax returns during 2019 include:

- 21% annual increase in periodic tax returns submitted to the Authority.
- Rapid responses to 34,252 refund applications and the revision of voluntary tax declarations associated with refund applications to ensure the efficiency and accuracy of the debit applicant's credit balance.
- Improving and developing deregistration procedures in order to ensure that transactions are completed on time.
- The number of applications for tax registration certificates went up to 12,561, which were all reviewed, corrected if necessary, printed and forwarded to specialists.
- Processed 2,559 tax group registration forms and 6,219 forms for tax group amendments.
- A smart mechanism was developed for the transfer of sums mistakenly paid via a cancelled Tax Registration Number and miscellaneous payments to the correct Tax Registration Numbers.
- The number of VAT registrants by the end of 2019 rose to 308,777 enterprises and 11,658 tax groups, compared to 251,653 enterprises, and 10,910 tax groups by the end of 2018 with total annual growth of 22.04%.
- Processing of 100,105 applications for VAT registration.
- Processing of 172,330 applications for VAT adjustment.
- Reviews of 49,750 applications for de-registration from all groups of VAT registrants.
- Over 800 businesses participating in the Global Village were registered on time.
- Processing of 51 fair registration applications.
- Processing of 1,494 applications for tax refunds on newly constructed housing units for citizens of the UAE to a total value of AED 97 million.
- Responses to 2,863 applications for refunds for diplomats and foreign missions.

## 1. Value Added Tax (VAT):

The introduction of VAT has seen significant progress, with widespread tax awareness among businesses. This has contributed to increased rates of voluntary compliance by taxable persons, a deeper recognition of the importance of the application of VAT and its positive effects on the development of services, while the effect of inflation caused by the tax gradually faded, especially as the tax rate is only 5% on the supply of most goods and services, the lowest globally.

**Outstanding business response rates were recorded under the umbrella of a continuously evolving legislative environment that aligns with the best standards in tax administration, and this was demonstrated through several indicators, including:**



# Chapter II: Strategic regional and international partnerships

Looking to continuously exchange information and develop its services, the Authority has strengthened its strategic partnerships and coordination and cooperation activities with regional, local and international tax authorities through bilateral and sectoral meetings, representing the UAE at regional and international tax-related meetings and conferences.

## 1. Local coordination and meetings:

- The Authority held more than 70 coordination meetings with governmental and private bodies for joint cooperation.
- Maintained cooperation with the Federal Customs Authority and local customs departments as the most important strategic partners, with regard to information exchange and coordination on Excise Goods and other tax procedures.
- The Authority strengthened its cooperation with tax agents to discover their observations and suggestions for improving the level of services provided to taxpayers in order to encourage them to access the publications and updates issued by the FTA and effectively comply with their tax obligations.
- Cooperation continued with shipping and customs clearance companies that provide services to assist importers who have not registered for Excise Tax and/or VAT in filing their tax returns through the FTA portal.
- The Authority continued its coordination meetings with the UAE Ministry of Finance regarding the proposals of legislation on the administration, collection and implementation of federal taxes and related fines and the distribution of their revenues, the examination of the Ministry's proposals on the adjustment of tax transactions, including the tax treatment of land, and the allocation of tax revenues.

## Efficient Strategic Partnerships

70

coordination meetings with representatives of the public and private sectors were held by the Authority.

- Ongoing coordination with the Ministry of Finance, the Federal Customs Authority and local customs services on tax procedures.

10

tax meetings in which the FTA participated at the level of Gulf States.

- Intensified cooperation with tax agents, freight and customs clearances companies to improve services delivered to taxable persons.

## 2. Regional and international cooperation:

- The Authority participated in the first Forum for Cooperation between Tax Administrations of the Belt and Road Initiative, held in China in April 2019, during which the UAE was elected Vice-President of the Forum. H.E. Khalid Ali Al-Bustani, Director-General of the Federal Tax Authority, chaired the delegation of the United Arab Emirates to the Forum, which was held with significant international participation. The UAE's pioneering tax experience was reviewed during a major session of the Forum.
- In cooperation with the Ministry of Finance, the Arab Monetary Fund and the International Tax and Investment Centre, the Authority organized the Arab Regional Tax Forum, held in Dubai. His Excellency the Director-General of the FTA spoke at the opening session addressing the successful implementation of the tax system in the UAE.
- The Authority participated in 10 coordination meetings with the teams and committees of the Cooperation Council for the Arab States of the Gulf and the Task Group of the Common Tax Agreement of the States of the Gulf Cooperation Council.
- The Authority held a number of bilateral meetings with both Saudi Arabia and Uzbekistan to discuss issues relating to the application of VAT and Excise Tax.

- Active presence in significant regional and international tax forums and conferences.

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## Tax Indicators

**312**

Thousand registrants for the Value Added Tax system.

**1100**

Registrants for Excise Tax, an annual rise of 28.51%.

**21%**

Annual increase in the number of tax returns submitted to the FTA.

**34,252**

Applications for refunds and revisions of voluntary tax declarations audited in 2019.

**1494**

Applications for tax refunds on newly constructed housing for citizens of the UAE.

**2,863**

Refund applications for diplomats and foreign missions.

- Developing the registration system for goods in accordance with the expansion of the Excise Taxation scheme.

- The introduction of the Excise Goods Price Registration System to verify the accuracy of required documentation.



## 2. Excise Tax:

Since the introduction of the Excise Tax, the Authority has implemented a comprehensive strategy to carry out steady development processes to improve the efficiency of its application in order to achieve its main objective, which is to accelerate the process of becoming a safe and healthy society by reducing the consumption of goods that harm the health of members of society and affect the quality of the environment, as well as increasing financial resources to support the Government scale-up of services provided to members of society.

The development strategy of the FTA was based on two main pivots: the first being the continuous amelioration of tax enforcement mechanisms through the development of electronic systems available for registrants, and the second being the constant revision of operational procedures and rules governing tax application with the aim of their continuous improvement.

### **The most notable indicators for the increased effectiveness of the application of Excise Tax include:**

- The total number of excise tax registrants rose to 1,100 compared to 856 at the end of 2018, an annual rise of 28.51%.
- Processing of 922 applications for Excise Tax registration.
- Working on the development and improvement of the Designated Zones matrix by informing registrants of the completion of the Designated Zones renewal procedures.
- Developing the registration system for Excise Goods in accordance with the expansion of the Excise Taxation scheme.
- The introduction of the Excise Goods Price Registration System in cooperation with the operator company to verify the required documents and establish an international article number for each product.
- Sorting and adjusting the price list of the approximately 10,000 registered goods (cigarettes, tobacco and tobacco products) into several criteria depending on the nature of the product.
- Improve financial security procedures by adding a feature that makes it impossible for the registrant to complete the application without being a supplier, exporter or stockpiler.
- Accounting for the cases of those registered in the Designated Zones who have not paid the renewal fee, and for the on-hold applications for some registrants, and sending urgent reminders to the registrants, informing them of the steps needed to complete their renewal process, alerting them to complete the procedures for the renewal of the Designated Zones, and to proceed with their incomplete applications.
- Activating deregistration from Designated Zones by forming a new resubmission comment box by extracting information from legislation and process flow manuals.

# Chapter III: Tax Policies

**The Authority continued its efforts to develop the legislative structure in line with ongoing variables by proposing and implementing appropriate tax policies to ensure the reinforcement of an effective tax system, to which end the following activities were focused:**

- Building tax operations policies concerning taxation, implementation and collection of revenue.
- Undertaking studies on proposing and updating tax policies and legislation.
- Establishing the necessary procedures for the implementation of tax laws and policies and the responsibilities entrusted to the Federal Tax Authority.
- Meetings of the Excise Taxable Goods Advisory Committee, which includes representatives of the retail sector of the State, have continued, with the aim of creating mechanisms and channels for continuous

communication and consultation between the Authority and taxable persons, so as to ensure their participation in the decision-making process and incorporating their points of view into the on-going development plans carried out by the Authority, while also keeping them up to date with the tax system.

- The Committee assigned to decide and approve the prices of Excise Goods continued its meetings to discuss the identification and classification of goods (energy drinks/carbonated drinks/non-applicable beverages etc.), to consider requests for price changes from retailers, and to change the classification of goods, if necessary.

**Many regulatory decisions have been issued in accordance with interim requirements, as part of ongoing efforts to provide the conditions needed for an ideal legislative environment conducive to compliance, and consistent with the best standards of governance and transparency, which will ensure greater facilitations in the application of tax laws and procedures.**

**The year 2019 saw 16 regulatory decisions on Value Added Tax (VAT) and Excise Tax:**

- Cabinet Decision No. (1) of 2019 on the refund of VAT for goods and services associated with “Expo 2020 Dubai”.
- Cabinet Decision No. (52) of 2019 on Excise Goods, tax rates and how to calculate the excise price.
- Cabinet Decision No. (55) of 2019 on the excise price of tobacco products.
- Cabinet Decision No. (33) of 2019 on administrative penalties for the violation of procedures concerning the marking of Excise Goods.
- Federal Tax Authority Decision No. (1) of 2019 on the Maximum Monetary Refund.
- Federal Tax Authority Decision No. (2) of 2019 on the application of the system of Marking of Tobacco and Tobacco Products.
- Cabinet Decree-Law No. (131) of 2019 on establishing the value of the goods or services for which VAT can be refunded by official participants in Expo 2020 Dubai.
- Cabinet Decree-Law No. (236) of 2019 implementing Cabinet Decision No. (52) of 2019 on Excise Goods, tax rates imposed on them and how to calculate the excise price.
- Cabinet Decree-Law No. (237) of 2019 on setting the date for the implementation of Cabinet Decision No. (55) of 2019 on the excise price of tobacco products.
- Federal Tax Authority Decision No. (3) of 2019 on the duration allowed for submitting applications for a VAT refund for newly constructed housing by citizens.
- Federal Tax Authority Decision No. (4) of 2019 on grace periods for the monetary refund of VAT for tourists.
- Decision No. (7) of 2019 on Tax Invoices and Tax Credit Notes.

## Legislative Achievements

- Preparation of the operational tax policy for tax implementation and revenue collection.
- Ongoing meetings of the Advisory Committee on Excise Goods.
- Processing requests for price changes and classification changes of goods.
- Procedures for implementing tax laws and fulfilling the responsibilities of the Authority.
- Identification and classification of goods (energy drinks/carbonated beverages/non-applicable beverages etc).
- Issuing 16 regulatory decisions in 2019 relating to Value Added Tax and Excise Tax.

# Chapter II:

## Taxpayer Services

The services provided by the Federal Tax Authority to its clients have seen many positive developments with the expansion and diversity of the tools used to deliver these services, improving the criteria for identification and classification of taxpayers, reorienting taxpayers' behavior and the development of their data register process, in addition to constant assessment of the performance and classification of tax agents, and finally the development and periodic update of the frequently asked questions and answers section. Concrete results have been achieved during 2019 in this area, including:

- 159,000 query calls answered through the FTA Call Center.
- 48,530 queries handled by e-mail, of which 16,240 were related to registration, 6,750 to general inquiries, 5,640 to tax refunds, 4,050 to tax returns, 3,500 to tax payments and 13,130 other queries.
- Taxpayer Support Centers in Abu Dhabi and Dubai welcomed 20,710 visitors, on matters relating to registration, filing returns and submitting payment, tax refunds and other queries.
- The implementation of a quality control and monitoring system for all communication channels related to the Federal Tax Authority.
- Providing 186 training hours for call center staff working across all channels of communication.
- Reviewing 1,038 e-mails, 1,081 telephone calls and 98 visits to taxpayers' support centers within the context of quality assurance of services provided.
- Several initiatives have been undertaken to improve the tax group registry, and the requests for amendment by requiring taxpayers to cancel the registration of registered branches that are supposed to use the same tax registration number as the parent company.
- Work has been carried out to automate the process of cancelling requests for tax agents and tax agencies through the smart support system implemented by the Authority, which has improved the mechanism for cancelling applications.
- The development of registration application procedures for tax agents through filling in registration analysts' forms to verify the validity of the data attached to tax agent requests. Also a new mechanism to facilitate the approval of applications was applied.
- The reduction of the turnaround time for the issuance of tax agents' certificates to 15 working days.
- 468 Tax agents were certified by the end of 2019.
- 31 requests were granted to detach tax agents from tax agencies.
- 341 applications to link tax agents to taxable persons were granted.
- The total number of tax agents associated with tax agencies is now 1,075.

### Continuous Improvement to Customer Service

- Initiatives to improve tax group registry and tax group amendments forms.
- Smart support system to facilitate deregistration applications.
- New mechanism to expedite approval of applications for registration of tax agents.

468

Tax agents were certified by the end of 2019.

159

Inquiry calls were answered through the Authority's Call Center.

48.53

Inquiries were handled via email.

20.71

Visitors were welcomed into the Taxpayers Service Centers in both Abu Dhabi and Dubai.

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### 3. Information Security:

- Handling and strengthening critical security weaknesses on the FTA website that may cause security threats and breaches of information security.
- Organizing and holding more than 6 information security awareness workshops attended by more than 120 staff members to sensitize users to data security threats that may endanger the Authority and to inform them of ways to strengthen the first line of defense, which is the users.
- Conducting information security threat tests, working to manage identified threats, and coordinating with different departments to reduce and address them to decrease associated risks.
- Preparation, design, implementation and publication of the "Security Risk Management Toolkit" as a visual representation of security risks, their status and their classification into multiple groups defined by scope, severity of risk and the source in question.
- The design and implementation of the hard disk data encryption system for mobile devices to protect the Authority's data from leaks or cyber-attacks.
- The development and implementation of a system for mobile access control to protect against data loss, prevent theft, encrypt media and protect against harmful software.
- Activation and implementation of the security principle "Segregation of Duties" of the Business Applications Team, where separate and ad hoc environments have been created for each team such as the Software Development Team, the Quality Assurance Team and the Business Acceptance Testing Team and denial of access to each environment by other teams.
- The assessment and auditing of the risks to systems and infrastructure of all requests for change and developing plans to reduce those risks that could result in actual threats.
- Reviewing and redesigning of the FTA Extranet (DMZ) and Internet interface to achieve a higher level of protection for the FTA Intranet.
- Upgrading the majority of network and information security devices and systems with up-to-date releases to ensure that they are free of security gaps that can pose threats and risks.

- Conducting mock hacking tests on the FTA website to ensure that there are no weaknesses that could pose a threat to the integrity of taxpayers' data and to ensure that critical security gaps are sealed off.

### 4. FTA advanced and improved website:

The Authority launched its new and improved website, based on state-of-the-art display techniques, to provide a clear broad gateway that supplies multiple browsers with a variety of services and features that facilitate access to any information about the State tax system and its mechanisms, and allows taxpayers to submit their forms electronically.

The developed website is a comprehensive online platform that includes a wide array of awareness-raising and educational tools, through a design created to deliver a user-friendly electronic experience, with an advanced search feature and automated forms.

### 5. "Tara" the virtual assistant:

After numerous studies and pilot testing, the Authority launched the Virtual Assistant Service through its website, which directly answers visitors' questions about tax procedures and legislation.

The virtual assistant is named TARA, an acronym formed from the abbreviation of "Tax Aware Robot Aid," meaning in Arabic "Tax Assistant with Artificial Intelligence Technology."

- The range of questions uploaded to TARA's AI has been expanded from 200 main questions to more than 500 main questions per language.
- Approximately 4,000 additional questions were added to the content of the main questions per language, bringing the total to 7,000 questions per language.

# Chapter IV: Reinforcing the Performance of the Tax System

The Federal Tax Authority (FTA) has continued to modernize and develop its electronic/digital services to meet the expectations of its clients to provide a technical structure that facilitates and promotes self-compliance with tax regulations.

The year 2019 saw the introduction of more advanced electronic systems and procedures and the implementation of numerous technical projects that are deemed to facilitate and expedite transactions and raise tax awareness, the most important of which are:

## 1. Developing the electronic system for tax administration through the implementation of several projects, including:

- Launching 3 editions with improvements to the tax system (e-Services).
- Validating the Tax Registration Number and over-viewing the performance of the tax system software.
- Developing, launching and supporting the internal event management system, and launching and supporting the system management cycle.
- The development of tax audit assessment modules.
- Developing a mechanism to link the Tax Residency Certificate system.

## 2. The gains of upgrading e-Services with state-of-the-art technology:

- Launch of an information technology steering committee.
- Effective management of database infrastructure operations and daily data entry of users.
- Developing and applying the operational plans for change management, releases, backup policy, etc. Follow-up and management of backup and recovery, and updating backup policies.
- Completion of the execution of the disaster recovery test planning and recovery of backup.
- Reinforcing control of critical applications and information technology infrastructure to address accident management, in collaboration with supplier teams.

- Reinforcing control of critical applications and information technology infrastructure to address accident management, in collaboration with supplier teams.
- Management of change requests for FTA systems and basic infrastructure, within change management procedures.
- Audit of e-Services management processes to ensure that service-level agreements are achieved.
- Managing the versions of the main electronic services systems (tax system) and the changes to their applications.
- Improving the performance of the technical support system and the website of the Authority which carries the registration services and other services provided.
- Review the procedures of software supplier teams to periodically verify the efficiency and availability of infrastructure, and determine the path of upgrading of central network systems and infrastructure equipment and systems.
- Periodically upgrade and update the electronic/digital infrastructure of the Authority for optimal use of systems.
- Monitoring of computing, network and applications, and updating and providing maintenance to the network surveillance tool.
- Use of virtual instruments, assessment of available resources and proposals to expand capacity.
- Managing the databases in collaboration with the Information Technology Team of the Ministry of Finance.
- The supervision of network changes and security changes, assessing of systems and applications requirements.
- Providing input and manuals for audit requirements on the management of periodic electronic services.
- Supervision of database environments, systems, identification, recording and problem-solving.
- Follow-up on the framework convention contract for the supply of computers to users.

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# Chapter V: Developmental projects

**Through the ongoing development of its systems, the FTA seeks to achieve the highest levels of transparency and to facilitate transactions. The Authority's efforts to manage, collect and implement federal taxes continued through procedures characterized by clarity and simplicity, while developing its tax refund mechanisms for persons and businesses legally eligible for VAT refunds. Some of the major development projects include:**

## 1. The development of the Citizen Housing Tax Recovery Mechanism:

Within the framework of continuous revision of tax procedures to achieve the best standards of efficiency in performance, the Authority initiated a plan to develop a mechanism for the recovery of VAT paid by citizens for the construction of their new homes. The initiative reflects the Government's objective of achieving the highest standards of well-being for UAE citizens.

The Authority, in coordination with housing finance departments in the State, examined the implementation of accessible mechanisms to facilitate the refund process for citizens, and intensified its cooperation with the housing finance authorities to provide the necessary assurances to support restitution applications.

Some of the most notable results achieved by the Authority in the recovery of VAT paid by citizens for the construction of their new homes during the reporting period include:

- The development of a mechanism for citizens to be able to be refunded the VAT paid during the construction of their homes, including simplified steps for submission of the applications and revisions, providing the best services to UAE's citizenst, through the following steps:
  - Streamlining the procedure by only asking for the submission of a VAT recovery request enclosed with the completion certificate, a copy of the applicant's family book, a copy of the UAE ID and an account confirmation letter from the bank.
  - Coordinating with State housing finance departments to develop accessible mechanisms to facilitate the recovery of VAT for citizens.
  - Addressing the relevant municipalities of the UAE to clarify the types of certificates of completion and building permits needed for the refund procedures.
  - Evaluation of the companies involved in the tender for the Verification Agency position on the Citizen Tax Refund Project for newly constructed housing, and selection of the most suitable.

- Communicating with the Verification Agency periodically to handle the issues of recovery requests.
- Processing the eligibility of the application internally and transferring the applications after the validation has been approved to complete the reviewing procedures.
- Coordinating with the Verification Agency to facilitate the delivery of the required documents, and relying on electronic copies.
- Preparation of citizens' payments using bank statements verified by the central bank system, and processing payments.

## 2. Foreign businesses VAT refund mechanism:

In its efforts to establish the status of the UAE as a global trading centre by supporting economic activities involving visiting businesses, the Authority has undertaken the following actions:

- Developing the electronic/digital system for the receipt of requests for VAT restitution for foreign visiting companies through the recovery platform of the e-Services portal, and launching the relevant VAT refund mechanism, making the tax refund form available on its website for visitors to the UAE who came to carry out business.
- As of April 2019, FTA began to receive refund applications for the year 2018 for foreign businesses eligible for tax recovery, as the VAT refund mechanism for foreign visiting businesses requires the reimbursement of tax paid for any supplies or imports made by any person who is not resident in the UAE or any eligible State who is engaged in business and is not taxable. This applies to those States which reimburse received VAT to visiting Emirati businesses, as the tax refund for visiting businesses is reciprocated by those States.
- Through its website, the FTA launched a guide on the value added tax recovery mechanism for foreign businesses, which provided an explanation of refund standards and procedures. As the recovery period for each application is one calendar year, claims for 2018 refunds are submitted as of 1st April, 2019, and for subsequent years the date of submitting requests for refunds starts as of 1st March of the year following the claim year.



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## A Comprehensive platform for tax e-Services

# 5

### Key features of the new and improved FTA website:

- ✓ A clear sitemap that meets users' expectations.
- ✓ Reinforced 24-hour interaction availability between the Authority and business sectors.
- ✓ Easy-to-browse webpage with easy-to-follow links that directs visitors to their desired page through a maximum of 3 clicks.
- ✓ The availability of search options through web addresses and within page contents.
- ✓ A comprehensive, alphabetically arranged electronic tax library.

### Properties:

- ✓ The website includes state-of-the-art display technology, with diverse tabs for information.
- ✓ Enhanced electronic submission of forms and applications, delivering a user-specific experience.
- ✓ Access to information with advanced search features.

### Contents:

- ✓ Guidelines and manuals, awareness-raising and educational clarifications.
- ✓ Automated forms to ensure data accuracy and expedited responses to application forms submitted by taxpayers.
- ✓ VAT calculator and TRN verification feature.

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The year 2019 saw substantial progress in projects for the development of Excise Tax enforcement mechanisms, in terms of scope, operational systems and oversight procedures of the Authority, the most notable of which are:

## 1. Expansion of the scope of Excise Taxable Goods:

To implement good leadership directives aimed at strengthening the State's advanced competitiveness and accelerating the construction of a safe and healthy society, Cabinet Decision No. (52) of 2019 on "Excise Goods, tax rates and how to calculate the excise price" entered into force on 1st December, 2019. The decision extended the range of goods to which Excise Tax was applied to sweetened beverages, electronic smoking devices and tools and liquids, on top of tobacco and tobacco products, energy drinks and carbonated beverages, which had been liable for Excise Tax since the beginning of October 2017.

The Authority implemented a multi-track integrated plan aimed at ensuring the air-tight and smooth application of the decision of the Cabinet, assisting excise taxpayers with the means for voluntary compliance and providing them with technical support for early registration in order to avoid delays, penalties and any obstacles they might face when importing Excise Goods. The FTA made extensive efforts to make registration available well in advance of the entry into force of the decision and took the following actions:

- The Authority launched a new, up-to-date on-line electronic system, characterized by accurate registration procedures and details of Excise Goods with clear criteria and requirements.
- The FTA updated the forms for periodic tax declarations and returns on Excise Taxation, and invited all relevant business sectors to follow the new procedures when registering taxable Excise Goods in the FTA system, and referred to documents and requirements for registering and preparing goods before applying for registration in the system.
- Approximately 4 months prior to mandatory implementation of the decision, the FTA began receiving requests for registration of producers, importers, and stockpilers of sweetened beverages, electronic smoking devices and tools and liquids used in such devices; consequently, the Authority began accepting applications for registration of such goods in easy and clear steps through the FTA website.
- The Authority, in partnership with the customs services of all Emirates and authorized laboratories in the State, coordinated the control of the circulation of Excise Goods ensuring the steadiness of customs procedures relating to the Decision, and the extent to which it was complied with.
- The publishing of a series of instruction manuals and a user manual on updated modules in the system and the new mechanism and requirements for the registration of Excise Goods with the Authority, all made available through electronic/digital services on the official website of the FTA.
- The Authority carried out an extensive awareness-raising campaign involving those taking part in the application of the Decision in the UAE, during which the objectives and procedures for the expansion of the Excise Tax were reviewed.

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### 3. The development of an electronic refund system for tourists:

**The electronic/digital tax refund system for tourists, the most advanced of its kind in the world, has undergone significant expansion and development since its launch in November 2018, raising the satisfaction rates of its users dramatically thanks to the speed with which refund requests are processed, the ease and clarity of the procedures. Among the most important development actions and break-throughs achieved by the system in 2019 are:**

- The Authority issued its Decision No. (1) of 2019 on the maximum amount of cash refundable under the VAT refund system for tourists, which provided that the maximum cash refund for tourists would be AED 7, 000 for each tourist from abroad per 24 hours. This is in keeping with the State's overall strategy to reduce reliance on cash in financial transactions and take advantage of the UAE's sophisticated digital and technological infrastructure.
- The number of online retailers connected to the system increased to 12,310 across the country.
- 3.2 million electronic tax refund transactions were conducted for tourists from the introduction of the system until the end of 2019, showing semi-annual growth of 110.53%.
- Activating VAT refunds for tourists via the WeChat feature for Chinese tourists.
- Making VAT refund for tourists available at the Khatm Melaha customs centre on the border of Sharjah and Oman.
- Launch of self-service machines for VAT refunds for tourists who meet requirements of eligibility upon their departure from the UAE at operational system outlets as of June 2019. "Planet", the company authorized by the Federal Tax Authority to operate the system, set up the equipment with all the technical means necessary to complete refund procedures fully automatically, while employees of the operator company are located near the self-service equipment to provide assistance to tourists when needed.
- By the end of 2019, the number of self-service refund machines for tourists had risen to 52, demonstrating 79.3% growth in 6 months.

# Part Three

## Tax Compliance

### Monitoring Tax Compliance

The FTA continued to play its oversight role of following up on tax compliance in all taxable categories, and to combat tax evasion, focusing on developing and implementing a compliance and tax enforcement strategy according global best practices, by:

- Developing and implementing the compliance and tax enforcement strategy.
- Preparation and implementation of the annual audit plan in accordance with Risk Engine measurements.
- Preparation and implementation of the annual enforcement plan in accordance with Risk Engine measurements.

**The Authority has intensified its orientation campaigns in conjunction with inspections of taxpayer records and documentation, and dealing with cases of non-compliance, to ensure proper commitment to tax laws and regulations. Revisions and audits of tax returns and reports were also carried out to ensure compliance. Some of the most prominent results achieved during 2019 included:**

- The Authority received numerous voluntary declarations from taxpayers reporting the correction of previous errors on their part in tax returns, assessments or tax refunds, which is an indication of the effectiveness of the Authority's monitoring procedures.
- During the reporting period, 6,509 visits were carried out as part of the FTA's inspection campaigns on enterprises and shops, and measures were taken to collect taxes and fines from offenders.
- The Authority launched a campaign in cooperation with Economic Development Departments during which inspections were carried out to ensure that all companies subject to VAT complied with the regulations that state that full prices (inclusive of tax) should be disclosed on goods and services to avoid irregularities.

### Procedures to promote tax compliance and combat tax evasion

6509

Visits by inspection campaigns during 2019 to ensure tax compliance.

- Price quotations (inclusive of tax) campaign carried out by FTA in collaboration with the economic development community.
- Preparation and implementation of the tax compliance and enforcement strategy.
- Preparation and implementation of the annual audit plan according to the risk engine measurements.
- Preparation and implementation of the annual enforcement plan in accordance with the risk engine measurements.

## 2. The launch of the “Tobacco and Tobacco Products Marking Scheme”:

At the beginning of 2019, Phase I of the “Tobacco and Tobacco Products Marking Scheme” was introduced for all types of cigarettes. The scheme required that “Digital Tax Stamp” markings were provided for purchase orders by importers or producers of all types of cigarettes as part of the implementation procedures of Cabinet Decision No. (42) of 2018 on “Marking Tobacco and Tobacco Products”, which aims to establish a comprehensive, accurate and effective regulatory framework to support the Authority’s efforts to collect taxes and combat tax evasion by enabling the tracking of the packaging of tobacco and tobacco products electronically from production until they reach the final consumer to ensure their conformity with approved specifications and the adherence to paying tax obligations.

Several procedures and executive steps were taken to complete the implementation of Phase I and to begin the implementation of Phase II, through which the types of goods covered by the scheme were expanded, including:

- As of May 1st 2019, the import of all cigarettes without a “Digital Tax Stamp” was banned.
- As of August of the same year, the sale (circulation) of all non-marked cigarettes was banned in all markets of the UAE.
- Starting November 2019, the scheme entered its second phase, whereby it became possible for producers and importers of all types of water pipe tobacco and electrically heated cigarettes to issue purchase orders to order “Digital Tax Stamps”.
- Starting March 2020, the import of all water pipe tobacco and electrically heated cigarettes without digital stamps was prohibited, then starting January 1st 2021 the supply, transport, storage, or possession of these goods without Digital Tax Stamps was prohibited in the local market.
- The Authority sustained its coordination with the Federal Customs Authority and local customs services regarding the scanning process at customs checkpoints and electronic links.
- The FTA also continued to coordinate with the Ministry of the Economy, Economic Development Departments and municipalities on retail surveillance operations, as well as with the Emirates Authority for Standardization and Metrology and the World Trade Organization (WTO) on the technical specifications of the Digital Tax Stamps.
- The Authority, in cooperation with the company operating the system, carried out an extensive awareness-raising campaign and held several meetings with those involved in the manufacture and trade of tobacco and tobacco products, during which presentations were made on the scheme and all questions were answered about the mechanisms and objectives of the “Marking of Tobacco and Tobacco Products” scheme.

## Major Developmental Projects

### Tax refund for categories eligible for recovery:

- ✓ Developing the mechanism to refund UAE citizens tax paid during the building of their homes.
- ✓ VAT refund mechanism for foreign businesses
- ✓ The development of the electronic refund system for tourists.

New mechanisms for applying excise taxation and reinforcing regulatory procedures:

- ✓ The expansion of the variety of products included within the Excise Tax scheme.
- ✓ Launch of the “Marking Tobacco and Tobacco Product” scheme.

## كفاءات بشرية وإدارية بأفضل المعايير

76%

Emirati citizens in the FTA staff, an increase of 4% compared to 2018 and 1% above target.

- The launch of a LinkedIn e-learning platform with 411 training courses.
- Conducting a cash flow study for the year 2019.

103

New employees joined the FTA in 2019.

- Conducting a study to update revenue predictions for 2019 and 2020.
- Initiating the process of updating financial policies and procedures.

6965

Hours of training delivered to 95 % of the Authority's staff.

- Rationalization of government expenditure by 45% of the approved public budget for 2019.
- Amending the financial authorities' permissions on the financial system in order to minimize potential risks in coordination with the Ministry

# Part Four

## Quality and efficiency of administrative services

### Supportive activities

حرصت الهيئة على تطبيق برامج وأنشطة المهام المساندة التي تتميز بالجودة والكفاءة والشفافية لدعم الإدارات في تحقيق مهام الهيئة لضمان تقديم خدمات إدارية تتوافق مع أفضل المعايير والممارسات بجميع القطاعات ومن بينها:

#### 1. Human Capital:

**Since the commencement of its activities, the Authority has developed a comprehensive strategy for managing the human competencies available to the best of its ability, and has been keen to exert all efforts needed for the formation, refinement, development and maintenance of individuals' competencies through an integrated strategy to attract highly qualified human competencies in the fiscal field, and to qualify and develop the skills and performance of the staff members of the Authority through continuous training.**

**Some of the most notable achievements in the area of developing human resources in the FTA include:**

- Emiratisation rose to 76%, an increase of 4% over 2018, and 1% above target.
- The workforce was increased by 103 employees who joined the Authority in 2019.
- Completion of 100% of targeted training for all professional groups.
- Training completed for 95% of staff members of the Authority, providing a total of 6,965 training hours.
- The launch of the FTA LinkedIn online learning platform in September 2019 saw an interaction rate of 75%, with 411 training courses successfully completed, and more than 9,000 views of educational videos by staff members.

#### 2. Financial Achievements:

- Completing a cash flow study for 2019.
- Conducting a study to update revenue predictions for 2019 and 2020.
- Initiating the update of fiscal policies and procedures, documenting the procedures for the distribution of tax revenues, and documenting the procedures for tax reimbursement.
- The application of the "accrual" basis of accounting according to International Public Sector Accounting Standards (IPSAS).
- Rationalization of public expenditure at 45% of the approved public budget for 2019.
- Continuing the improvements and development of the tax system by clarifying financial requirements in coordination with relevant authorities.
- Amending the financial authorities' permissions on the financial system in order to minimize potential risks in coordination with the Ministry of Finance.
- Introduction of new items to the Accounts Division to serve the accounting recognition requirements of the FTA.
- The commitment to accuracy of the financial reports issued despite the challenges of the tax system.

#### 3. Legal Achievements:

**The Legal Affairs Department of the FTA continued to coordinate and follow up with the State Cases Department of the Ministry of Justice on cases related to the Authority, as well as the revision and amendment of legal documentations relating to the FTA, such as conventions and Memoranda of Understanding. Some of the most notable achievements is in this area include:**

- The revision of 38 contracts and conventions, and the review of 12 administrative decisions.
- Following up on 70 objections relating to the Tax Dispute Resolution Committee.
- Providing 34 legal consultations regarding various subjects.

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