autosmart

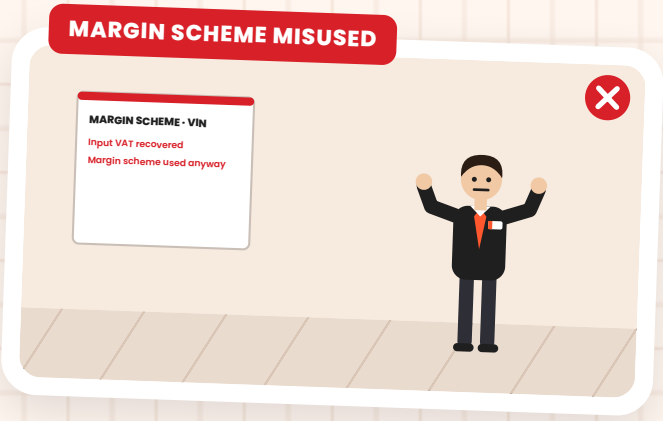
Edition 1 · United Arab Emirates · 2026

• 14% A YEAR ON UNPAID TAX Sales, used cars, service, parts & group entities

VAT & Corporate Tax Compliance Guidebook for Automotive Companies

Tax invoices, returns, the used car margin scheme, records, corporate tax and e-invoicing: what the FTA checks, **and what the April 2026 penalty changes mean.**





14%
a year on unpaid tax, charged monthly (from Apr 2026).

AED 20K
repeat record-keeping penalty.

9%
corporate tax above AED 375,000.

5 standards | 13 checkpoints | VAT · CT · CD 129/2025 | Right way / wrong way | Ideal fix time

2018 VAT introduced → **2023** Corporate tax → **Apr 2026** New penalty rules → **Unpaid tax now grows every month.**

WHY THIS GUIDEBOOK EXISTS

Every car sold is a VAT transaction.

Dealers handle VAT on new and used cars, parts and service, often across several entities. From **14 April 2026**, unpaid tax costs **14% a year, charged monthly**, and record-keeping repeats cost **AED 20,000**.

This guidebook covers the 5 tax standards every dealer group should audit.

WHERE TAX RISK SITS

Invoices
Valid tax invoices
TX-01

Returns
On time
TX-02

Used cars
Margin scheme
TX-03

Records
5 years
TX-04

Corporate tax
Every entity
TX-05

E-invoicing
Coming
TX-05

WHO ENFORCES IT

FTA
Federal Tax Authority
Returns, audits, penalties

MoF
Ministry of Finance
Tax policy and e-invoicing

Tax Disputes Committee
Appeals
Objections and disputes

Auditors
External
Year-end checks

WHO IT'S FOR

Owners & CFOs
Plan for penalties and cash.

Accounts teams
File and pay on time.

Auditors
Test invoices and margins.

PENALTIES NOW GROW MONTHLY

AED 500,000 unpaid VAT. AED 70,000 a year.

From April 2026, unpaid tax attracts **14% a year, charged monthly**. On AED 500,000 that's about AED 5,800 a month, on top of any assessment.

THE PENALTY LADDER

LEVEL 1
AED 1K
First record-keeping failure.

LEVEL 2
AED 20K
Repeat within 24 months.

LEVEL 3
14% p.a.
Late payment, charged monthly.

LEVEL 4
Assessment
Tax plus penalties after audit.

REAL CASES FROM US AUTOMOTIVE BUSINESSES

WHO	RESULT	WHAT HAPPENED
Cabinet Decision 129/2025 From 14 Apr 2026	**14% p.a.** late payment	Replaced the old 2%/4% structure.
Record keeping CD 129/2025	**AED 20K** repeat	AED 1,000 for a first failure.
Corporate tax FDL 47/2022	**9%** above AED 375K	Registration and returns for every entity.

AED 500K UNPAID
AED 70K
A year at 14%.

REPEAT RECORDS
AED 20K
Within 24 months.

AND THEN
Audit
The FTA can **go back years**.

HOW TO USE THIS GUIDE

One page per standard. File it right.

1. **Header**: code, area, owner and the maximum penalty
2. **The law**: which regulator and which regulation
3. **The cost**: fine, what else can happen and a real case
4. **Right / wrong**: illustrated pass and fail, plus how to audit

THE 5 STANDARDS

TX-01	Tax Invoices Correct	VAT Art. 65	SEVERE	Per invoice	7 days	5
TX-02	Returns Filed & Paid on Time	CD 129/2025	SEVERE	14% p.a.	Immediate	6
TX-03	Used Car Margin Scheme	VAT Art. 29	SEVERE	Assessments	30 days	7
TX-04	Records Kept	CD 129/2025	HIGH	AED 1K–20K	30 days	8
TX-05	Corporate Tax & E-Invoicing Ready	FDL 47/2022	SEVERE	Penalties + assessments	30 days	9

IDEAL FIX TIME · COUNTED FROM AUDIT SUBMISSION

Immediate	Stop now · serious harm or clear breach	1 standard
7 days	Fix within 1 week · records, notices, training	1 standard
30 days	Plan and close within 1 month · policies and systems	3 standards

SCORING EACH CHECKPOINT

PASS

Every criterion met at the time of audit, with evidence captured.

FAIL

Any criterion not met at the time of audit. Record what you saw and who owns the fix.

N/A

Only where "Applies when" rules it out. Record why.

Note. E-invoicing is being phased in; check the Ministry of Finance timeline for your business size.

TX-01 TAX · FTA · STANDARD 01 OF 05

Tax Invoices Correct

Area **Accounts · Sales · Service** | Person in charge **Finance Manager** | Regulator **FTA**

MAXIMUM PENALTY

14%

per year on unpaid tax · charged monthly

Record-keeping repeat: **AED 20,000** · plus tax assessments

• SEVERE

THE LAW

VAT / CT

Federal Decree-Law 8/2017 (VAT) · **Federal Decree-Law 47/2022** (Corporate Tax) · **Cabinet Decision 129/2025** (penalties, from 14 Apr 2026) · **VAT law** tax invoice requirements

WHAT WE CHECK

Every sale, service and parts invoice is a valid tax invoice: TRN, date, description, VAT amount in AED, issued within 14 days.

CHECKPOINTS IN THE AUDIT

- Q1 Do invoices show TRN, date, description and VAT in AED?
- Q2 Are they issued within 14 days of supply?
- Q3 Are credit notes issued correctly?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

From **14 April 2026**, unpaid tax attracts a late payment penalty of **14% a year, charged monthly**. Record-keeping failures are AED 1,000, or **AED 20,000** if repeated within 24 months.

BEYOND THE FINE

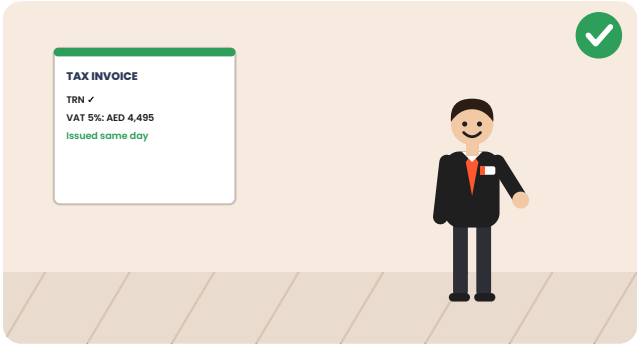
The FTA can issue **tax assessments**, audit several years back and add penalties for wrong returns. Corporate tax is 9% above AED 375,000 profit.

REAL ENFORCEMENT

Apr 2026

new penalty rules (Cabinet Decision 129/2025): late payment moves to **14% a year, charged monthly**.

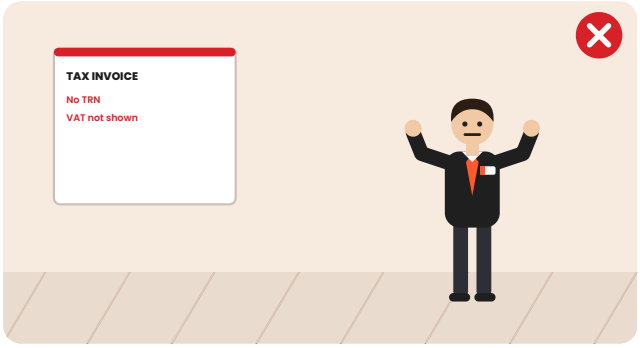
✔ RIGHT WAY



Valid tax invoice.

✖ WRONG WAY

PENALTIES



Missing TRN and VAT.

PURPOSE

Invoice errors are the most common VAT audit finding.

FIX IT WITHIN

◷ 7 days

AUDIT CRITERIA · PASS WHEN

- ✓ TRN and details
- ✓ VAT in AED
- ✓ Issued on time

IDEAL WAY OF AUDITING

1 Sample 20 invoices

Evidence: Invoices.

WORST CASE Penalties per invoice, plus **assessments** on under-declared VAT.

TX-02 TAX · FTA · STANDARD 02 OF 05

Returns Filed & Paid on Time

Area **Accounts** | Person in charge **Finance Manager** | Regulator **FTA**

MAXIMUM PENALTY

14%

per year on unpaid tax · charged monthly

Plus **late filing** penalties

• SEVERE

THE LAW

VAT / CT

Federal Decree-Law 8/2017 (VAT) · **Federal Decree-Law 47/2022** (Corporate Tax) · **Cabinet Decision 129/2025** (penalties, from 14 Apr 2026) · **Cabinet Decision 129/2025** late payment penalty

WHAT WE CHECK

VAT returns are filed and paid by the 28th after each tax period. Corporate tax returns are filed within 9 months of the year end.

CHECKPOINTS IN THE AUDIT

Q1 Are VAT returns filed and paid by the deadline?

Q2 Is the corporate tax return filed on time?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

From **14 April 2026**, unpaid tax attracts a late payment penalty of **14% a year, charged monthly**. Record-keeping failures are AED 1,000, or **AED 20,000** if repeated within 24 months.

BEYOND THE FINE

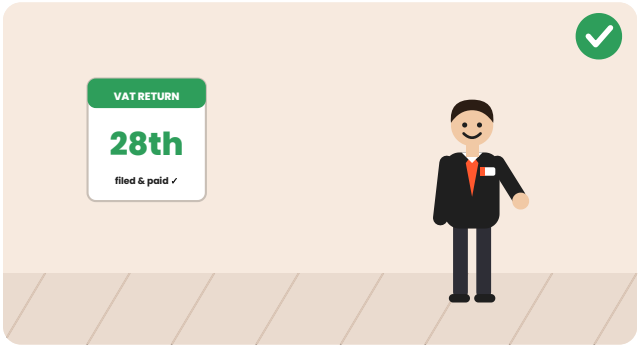
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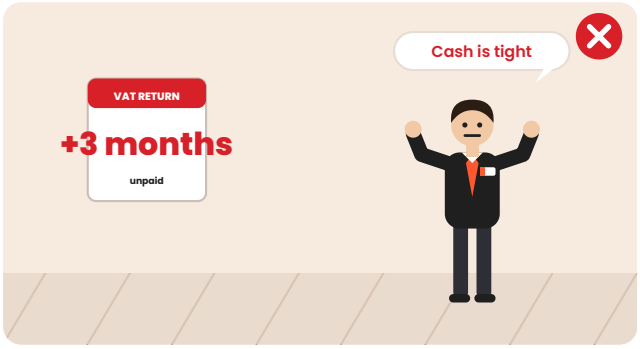
✔ RIGHT WAY



Filed and paid on the 28th.

✖ WRONG WAY

14% P.A.



Unpaid for 3 months.

PURPOSE

Late payment is now charged at 14% a year, monthly.

FIX IT WITHIN

Immediate

AUDIT CRITERIA · PASS WHEN

- VAT on time
- CT on time

IDEAL WAY OF AUDITING

1 Check FTA portal history

Evidence: Portal screenshots.

WORST CASE **14% a year** on unpaid tax, charged monthly, plus late filing penalties.

TX-03 TAX · FTA · STANDARD 03 OF 05

Used Car Margin Scheme

Area **Used cars · Accounts** | Person in charge **Finance Manager** | Regulator **FTA**

MAXIMUM PENALTY

14%

per year on unpaid tax · charged monthly

Record-keeping repeat: **AED 20,000** · plus tax assessments

• SEVERE

THE LAW

VAT / CT

Federal Decree-Law 8/2017 (VAT) · **Federal Decree-Law 47/2022** (Corporate Tax) · **Cabinet Decision 129/2025** (penalties, from 14 Apr 2026) · **VAT law** profit margin scheme for used goods

WHAT WE CHECK

Used cars sold under the profit margin scheme meet its conditions (bought without VAT recovery, records of purchase and sale price), and VAT is calculated on the margin correctly.

CHECKPOINTS IN THE AUDIT

- Q1 Are margin-scheme cars bought without input VAT recovery?
- Q2 Are purchase and sale records kept per car?
- Q3 Is VAT calculated correctly on the margin?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

From **14 April 2026**, unpaid tax attracts a late payment penalty of **14% a year, charged monthly**. Record-keeping failures are AED 1,000, or **AED 20,000** if repeated within 24 months.

BEYOND THE FINE

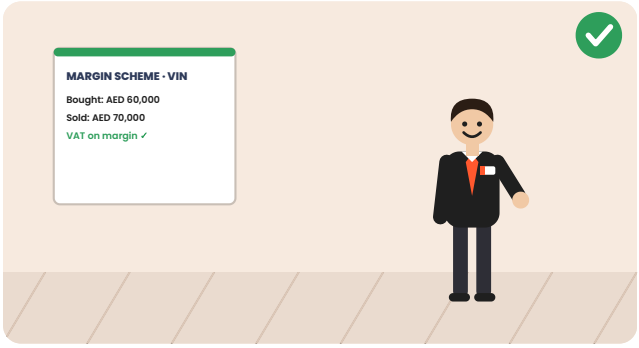
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REAL ENFORCEMENT

Apr 2026

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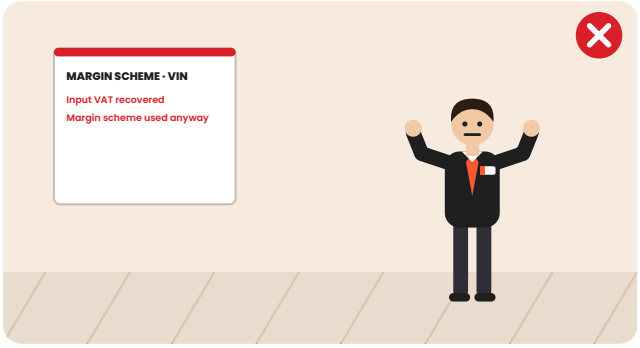
✔ RIGHT WAY



Correct margin calculation.

✖ WRONG WAY

ASSESSMENT



Margin scheme used after recovering input VAT.

PURPOSE

Getting this wrong means VAT is due on the full price.

FIX IT WITHIN

30 days

AUDIT CRITERIA · PASS WHEN

- Conditions met
- Records per car
- Correct VAT

IDEAL WAY OF AUDITING

1. Sample 10 used car sales

Evidence: Margin workings.

WORST CASE Wrong use means VAT on the **full price**, plus penalties.

TX-04 TAX · FTA · STANDARD 04 OF 05

Records Kept

Area **Accounts** | Person in charge **Finance Manager** | Regulator **FTA**

MAXIMUM PENALTY

20,000

repeat record-keeping failure (24 months)

First: **AED 1,000**

• HIGH

THE LAW

VAT / CT

Federal Decree-Law 8/2017 (VAT) · **Federal Decree-Law 47/2022** (Corporate Tax) · **Cabinet Decision 129/2025** (penalties, from 14 Apr 2026) · Record keeping (at least 5 years; longer for real estate)

WHAT WE CHECK

Invoices, contracts, import documents and accounting records are kept for at least 5 years and can be produced when the FTA asks.

CHECKPOINTS IN THE AUDIT

- Q1 Are tax records kept for at least 5 years?
- Q2 Can they be retrieved quickly?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

From **14 April 2026**, unpaid tax attracts a late payment penalty of **14% a year, charged monthly**. Record-keeping failures are AED 1,000, or **AED 20,000** if repeated within 24 months.

BEYOND THE FINE

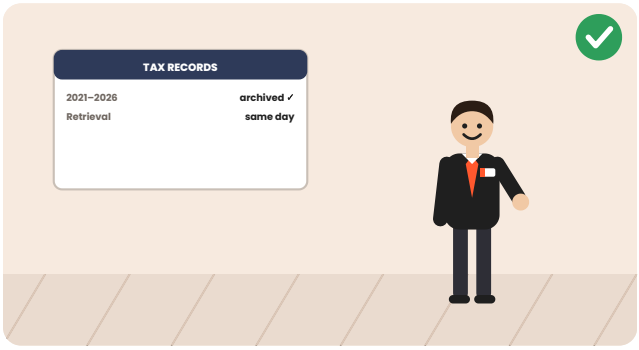
The FTA can issue **tax assessments**, audit several years back and add penalties for wrong returns. Corporate tax is 9% above AED 375,000 profit.

REAL ENFORCEMENT

AED 20K

penalty for a **repeat** record-keeping failure within 24 months (first: AED 1,000).

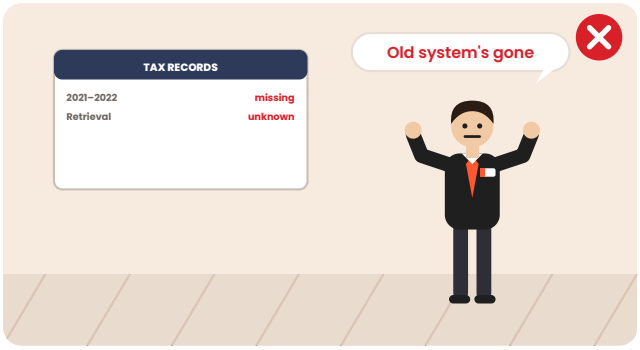
✔ RIGHT WAY



5 years archived and retrievable.

✖ WRONG WAY

AED 20K



Records lost with an old system.

PURPOSE

Missing records turn audits into assessments.

FIX IT WITHIN

◷ 30 days

AUDIT CRITERIA · PASS WHEN

- 5-year retention
- Retrievable

IDEAL WAY OF AUDITING

1. Request 3 old files

Evidence: Retrieval test.

WORST CASE **AED 1,000**, then **AED 20,000** for a repeat within 24 months.

TX-05 TAX · FTA · STANDARD 05 OF 05

Corporate Tax & E-Invoicing Ready

Area **Finance** | Person in charge **CFO** | Regulator **FTA**

MAXIMUM PENALTY

14%

per year on unpaid tax · charged monthly

Record-keeping repeat: **AED 20,000** · plus tax assessments

• SEVERE

THE LAW

VAT / CT

Federal Decree-Law 8/2017 (VAT) · **Federal Decree-Law 47/2022** (Corporate Tax) · **Cabinet Decision 129/2025** (penalties, from 14 Apr 2026) · Corporate tax registration and returns · UAE e-invoicing programme (phased rollout)

WHAT WE CHECK

Every group entity is registered for corporate tax, returns are filed, transfer pricing between group companies is documented, and systems are being prepared for e-invoicing.

CHECKPOINTS IN THE AUDIT

- Q1 Is every entity registered for corporate tax?
- Q2 Are related-party transactions documented at arm's length?
- Q3 Is there an e-invoicing readiness plan with the DMS/ERP provider?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

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BEYOND THE FINE

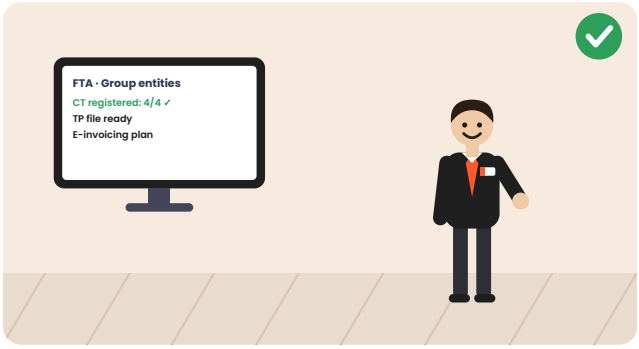
The FTA can issue **tax assessments**, audit several years back and add penalties for wrong returns. Corporate tax is 9% above AED 375,000 profit.

REAL ENFORCEMENT

9%

corporate tax on profits above AED 375,000, with registration and annual returns required.

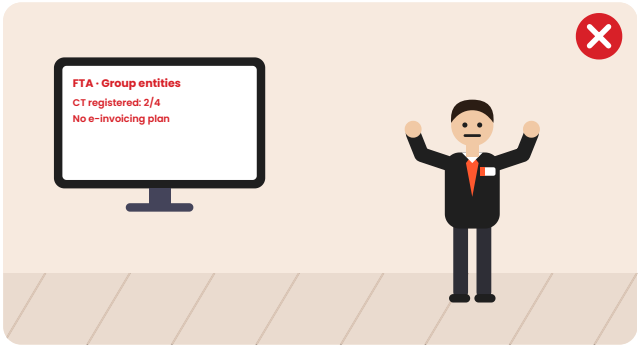
✔ RIGHT WAY



All registered, e-invoicing planned.

✖ WRONG WAY

14% P.A.



Two entities unregistered.

PURPOSE

Late registration and missing returns carry fixed penalties.

FIX IT WITHIN

◷ 30 days

AUDIT CRITERIA · PASS WHEN

- All registered
- Returns filed
- TP documented
- E-invoicing plan

IDEAL WAY OF AUDITING

1. Check FTA registrations
2. Ask the DMS vendor about e-invoicing

Evidence: Registrations + plan.

WORST CASE Late CT registration and returns carry **fixed penalties**, and e-invoicing gaps will bring more.

FIX IT BEFORE THE FTA AUDIT

Your 30-day tax action plan.

Today

- [ ] **TX-02** Returns Filed & Paid on Time
  Immediate

This week

- [ ] **TX-01** Tax Invoices Correct
  7 days

This month

- [ ] **TX-03** Used Car Margin Scheme
  30 days
- [ ] **TX-04** Records Kept
  30 days
- [ ] **TX-05** Corporate Tax & E-Invoicing Ready
  30 days

?/5 Count your passes. Unpaid tax now **grows every month**.

SOURCES

• BDO: Revision in administrative penalties for violation of tax laws in the UAE · bdo.ae
• Federal Decree-Law 8/2017; Federal Decree-Law 47/2022; Cabinet Decision 129/2025 · uaelegislation.gov.ae

Disclaimer. For compliance-audit guidance only; not tax advice. Consult a registered tax agent.

AUDIT SIGN-OFF

DEALERSHIP / SITE	AUDITOR	DATE	SCORE __ / 5

BRANCH / DEALER PRINCIPAL SIGNATURE

COMPLIANCE LEAD SIGNATURE