

Federal Decree-law No. (13) of 2016 Establishing Federal Tax Authority

We, Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

- After perusal of the constitution;
- Federal Law No. (1) of 1972 on the Competencies of the Ministries and the Powers of the Ministers, as amended;
- Federal Law No. (11) of 1981 on Imposing Federal Customs on Imports of Tobacco and its Extracts, as amended;
- Federal Law No. (5) of 1985, Issuing the United Arab Emirates Civil Transactions Law, as amended;
- Federal Law No. (3) of 1987 Issuing the Penal Code, as amended;
- Federal Law No. (10) of 1992 Issuing the Code of Evidence in Commercial and Civil Transactions, as amended;
- Federal Law No. (11) of 1992 Issuing the Civil Procedure Law, as amended;
- Federal Law No. (7) of 1999 Issuing Pensions and Social Security Law, as amended;
- Federal Law No. (4) of 2002 on Combating Money Laundering and Terrorism Financing, as amended;
- Federal Decree-law No. (4) of 2007 Establishing Emirates Investment Body, as amended;
- Federal Decree-Law No. (11) of 2008 on Human resources in the Federal Government, as amended;
- Federal Law No. (1) of 2011 on the General Revenues of the State;
- Federal Decree-law No. (5) of 2011 Regulating the Boards of Directors, Secretaries and Committees in the Federal Government;
- Federal Law No. (8) of 2011 on the Reorganization of the Audit Institution;
- Federal Decree-law No. (8) of 2011 on Regulations of Preparing Balance Sheet and Closing Accounts;
- Federal Law No. (12) of 2014 Regulating the Profession of Auditors;
- Federal Law No. (2) of 2015 on Commercial Companies; and
- Federal Law No. (8) of 2015 on the Federal Customs Authority; and

- On the basis of the proposal of the Minister of Finance and the approval of the Cabinet;
Have issued the following Decree:

Chapter One

Definitions

Article (1)

In the implementation of the provisions of this Decree, the following words and phrases shall have the meaning ascribed thereto, unless the context stipulates otherwise:

State	: The United Arab Emirates State.
Federal Government	: The government of the State.
Emirates	: The local government in each Emirate.
Governments	
Ministry	: The Ministry of Finance.
Authority	: Federal Tax Authority.
Board	: The Authority's board of directors.
Chairman	: Chairman of the board of directors.
Director General	: The Authority' Director General.
Relevant Entities	: The federal and local entities concerned with combating tax evasion in the State.
Taxpayer	: Any person who pays Federal Taxes.
Federal Taxes	: Taxes imposed by virtue of a federal law.
Tax Law	: Any federal law by virtue of which a Federal Tax is imposed.
Related Fines	: Fines related to the Federal Tax.
Tax Procedures	: Procedures of managing, collecting and implementing the Federal Tax and the Related Fines.
Authority's Costs	: All operational and constituent expenses.

- Tax Evasion** : The use of illegitimate methods by a person in order not to pay a due tax, or the use of illegitimate methods to unrightfully redeem a tax.
- Double Taxation** : The case in which the tax is imposed several times on the same taxpayer and the same income

Chapter Two

The Authority's Establishment and Competencies

Article (2)

A federal Authority called "Federal Tax Authority" shall be established by virtue of this Decree-law. It shall have a separate legal personality, the necessary legal capacity to act and financial and administrative independency.

Article (3)

The Authority's head office shall be located in Abu Dhabi. the Authority may set up branches and offices in the State under a decision of the Board.

Article (4)

The Authority shall be competent to:

1. Administer, levy and implement federal taxes and related fines, distribute their revenues and enforce the applicable tax procedures in the State. In order to achieve this, the Authority may:
 - a. Enforce the applicable laws and regulations with regard to federal taxes and related fines.
 - b. Settle the Authority's financial obligations.
 - c. Enforce the agreements preventing double taxation that are ratified by the State.
 - d. Avoid cases of double taxation and combat tax evasion in cooperation with the relevant entities inside and outside the State.
 - e. Decide on applications for registration in the existing tax systems in the State, and allocate tax numbers for registration in these systems.

- f. Propose legislation relevant to administering, levying and implementing federal taxes and related fines, and distributing their revenues, in coordination with the Ministry.
- g. Collect the data, information and statistics relevant to federal taxes and related fines.
- h. Create and maintain registers for the registered taxpayer in accordance with what is set out in the tax laws.
- i. Issue the necessary directives and clarifications for the taxpayer regarding their obligations to federal taxes and related fines, in accordance with the mechanisms issued by a resolution of the Board.
- j. Coordinate with the Federal Government, the governments of the Emirates and the taxpayer concerning all the issues regarding federal taxes and related fines.
- k. Contract a number of entities to carry out certain works required by the Authority to exercise its competencies.
- l. Exchange information and expertise with states, and international federal organisations and authorities that are related to tax.
- m. Coordinate with the competent entities with regard to becoming a member of international federal organisations and authorities that are related to tax.
- n. Represent the State at international and regional conferences and meetings whose activity relates to tax affairs, in coordination with the competent entities in the State.
- o. Inspect the registers, files and documents specific to the taxpayer.
- p. Review and audit the tax declarations and reports submitted to the Authority, determine their approval or amendment, or request any additional information or documents.
- q. Issue the certificates relating to federal taxes.
- r. Enforce a mechanism for settling disputes between the taxpayer and the Authority, in accordance with the applicable legislations.
- s. Request access to any existing data or information from any third party who has information relating to a person under tax audit which may be essential for carrying out the tax audit.
- t. Request that any person who has dealings with a person under tax audit provides the Authority with information about such dealings.

2. Enforce the rules and procedures for regulating cooperation between the State and other states, and international and regional organisations, authorities and federations with regard to tax systems, and implement the requirements specific to the exchange of information, in accordance with what is set out in the resolutions issued by the Cabinet in this regard, based on the Minister's recommendation.
3. Any other competencies authorised to the Authority in accordance with the laws or regulations and resolutions issued by the Cabinet.

Chapter Three

Management of the Authority

Article (5)

The Authority shall be managed by a board of directors that shall be chaired by the Minister and a sufficient number of members who shall be appointed and remunerated by a resolution of the Cabinet on the basis of the Minister's recommendation. The Cabinet resolution shall determine the Board's order of business.

Article (6)

The Board is the highest power overseeing the Authority's affairs and managing its business. The Board shall assume the following in particular:

1. Drafting the Authority's general policy and overseeing its implementation after being approved by the Cabinet;
2. Proposing the general policy of taxes in light of the policy of the State, in co-ordination with the Ministry and overseeing its implementation. The Cabinet shall issue the necessary resolutions in this respect;
3. Supervising the Authority's performance of its duties;
4. Issuing the regulations and decisions necessary for regulating the Authority's work;
5. Proposing the Authority's organizational chart and approving it by the Cabinet;
6. Proposing the Authority's HR system, including the appointment of the employees thereof and the payroll. The system shall be ratified by a resolution of the Cabinet;
7. Proposing the financial and purchases regulations in accordance with the principles of transparency and accountability. The regulations shall be ratified by a resolution of the

Cabinet;

8. Approving the Authority's draft balance sheet and final account for submission to the Cabinet for ratification;
9. Appointing one or more independent and certified auditors to audit the Authority's accounts, and determine the fees thereof;
10. Proposing the fees of the services that the Authority provides and the administrative fines resulting from the violation thereof and submitting them to the Minister to provide a recommendation on the same. A resolution of the Cabinet shall be issued in this respect;
11. Appointing the executive directors of the Authority's sectors;
12. Submitting an annual report about the Authority's achievements and progress of work to the Cabinet; and
13. Any other functions assigned to the Board by virtue of the tax laws or by the Cabinet. The Board may for from among its members one or more committees to study and examine some of the matters that fall within its jurisdiction. The Board may invite whoever it deems fit to attend the meetings thereof without being granted the right to vote.

Article (7)

The Authority shall have a Director General in the grade of Undersecretary who shall be appointed by a federal decree based on the basis of the Chairman's nomination and Board's approval.

Article (8)

1. The Director General shall exercise the competencies that are granted thereto by the Board and necessary to manage the Authority and represent it in its relations with third parties and before the court. He shall assume the following in particular:
 - a. Overseeing the technical, administrative and financial affairs of the Authority, within the limits prescribed by the effective laws and the regulations and decisions of the Authority;
 - b. Implementing the Authority's decisions and the general policies that the Board approves;
 - c. Proposing the Authority's plans and strategies, submitting them to the Board for

- approval and supervising the implementation thereof;
- d. Preparing the Authority's draft balance sheet and final account and submitting them to the Board for approval as per Clause (8) of Article (6) of this Decree-law;
 - e. Appointing the employees and issuing the decisions related to their affairs in accordance with the Authority's HR system in force, and within the limits of the competencies granted to him by the Board;
 - f. Preparing periodic reports about the Authority's progress of work and submitting them to the Board;
 - g. Concluding the contracts and agreement to which the Authority is a party in accordance with the competencies granted to him by the Board and the Authority's applicable regulations; and
 - h. Any other functions or duties assigned thereto by the Board.
2. The Director General may delegate some of his competencies listed in Clause (1) of this Article to the Authority's executive directors.

Chapter Four

Financial Affairs

Article (9)

1. The Authority shall have a stable yearly budget.
2. The financial surpluses from the Authority's self-generated revenues from any fiscal year shall be carried forward to cover the Authority's approved budget for the subsequent fiscal years.

Article (10)

The Authority's funds shall be deemed public funds and they shall be exempted from all taxes and fees.

Article (11)

The Authority's fiscal year shall begin on the first of January and end on the thirty first of December each year. However, the first fiscal year of the Authority shall begin as of the

effective date of this Decree-law and end on the thirty first of December of the following year.

Article (12)

The Authority's financial resources shall constitute the following:

1. Revenues levied by the Authority for the services it provides, apart from revenues of federal taxes and related fines.
2. Amounts deducted from the revenues of federal taxes and related fines which are allocated to settle the Authority's expenses subject to the approved budget in accordance with Clause 8 of Article 9 of this Decree by Law.
3. Loans the Authority receives from the Federal Government to settle the Authority's expenses subject to a Cabinet resolution and based on the Minister's recommendation. The Authority shall commit to returning these loans within a period to be stipulated by a resolution of the Cabinet, whilst taking into consideration Article 16 of this Decree by Law.
4. Donations, subsidies, grants and bequests which the Board resolves to accept and which are consistent with the competencies of the Authority.
5. Returns of bank deposits from administering the revenues of federal taxes and related fines accrued during the fiscal year.

Article (13)

The proceeds of the Federal Taxes and Related Fines collected by the Authority shall be deposited in independent special accounts opened for each type of the Federal Taxes, in order to be distributed to the federal government and the Emirates governments as per the laws issued in this respect.

Article (14)

The Authority may, on the basis of a decision issued by the Board, seize funds from the proceeds of the Federal Taxes and Related Fines for the purpose of redemption.

The seized funds shall be deposited in an independent account opened for each type of the Federal Taxes. The mechanism for redeeming such funds shall be determined in accordance with the tax laws.

Article (15)

1. Each tax law shall determine whether the proceeds of the Federal Taxes and Related Fines resulting from that law are subject to sharing between the federal government and the Emirates governments.
2. The mechanism for sharing the Federal Taxes and Related Fines and the dates for the distribution thereof shall be determined based on a resolution issued by the Cabinet, as per the Minister's recommendation and in agreement with the federal government and the Emirates governments.

Article (16)

Before effecting any sharing or distribution of the Federal Taxes and Related Fines collected by the Authority, the following shall be carried out:

1. Deducting the funds seized for the purpose of redemption, as per Article (14) of this Decree-law.
2. Deducting the funds listed in Clause (2) of Article (12) of this Decree-law.
3. Paying the funds that were collected as per Clause (3) of Article (12) of this Decree-law.
4. Paying the costs that the federal government incurred to establish the Authority before the issuance of this Decree-law.

Article (17)

Without prejudice to Articles (13), (14), (15) and (16) of this Decree-law, the Authority shall distribute the proceeds of the Federal Taxes and Related Fines to the federal government and the Emirates governments, in accordance with a resolution of the Cabinet.

Article (18)

An independent and certified auditor shall audit Authority's accounts, in accordance with the accounting principles approved in the State. The auditor shall submit to the Board a report within a period that does not exceed three months as of the end date of the fiscal year. However, the final account shall be submitted to the Cabinet as per the effective rules and legal provisions. The auditor may not combine his work with any other work in the Authority.

Chapter Five

General Provisions

Article (19)

The Authority's employees shall be subject to the provisions of the HR regulations of the independent federal entities until the Authority's HR system is issued.

Article (19) BIS

1. With exception to the provisions of the first paragraph of Article 62 of Federal Law No. 23 of 1991 on Regulating the Legal Profession, the Authority shall be competent to represent itself before local and federal judicial powers, and before committees for settling tax disputes, as well as before arbitration panels in the State, or before any other authority or committee with a judicial competency, whether the Authority is a plaintiff or a defendant. In order to achieve this, the Authority may submit claims, petitions, appeals, raise a defence, and in general, anything that is required to initiate lawsuits and appeals before such entities.
2. It shall be permitted for the Authority to delegate the competent department in the Ministry of Justice, or the legal consultants and experts working therein, to act on its behalf on condition they are recorded in the schedule of non-practising lawyers. In addition, it shall be permitted for the Authority to entrust lawyers to initiate the courses of action mentioned in Clause 1 of this Article, provided that the lawyer has been accepted to act as a counsel before the judicial body where they have begun proceedings.

Article (20)

Any provisions that violates or contradicts the provisions of this Decree-law shall be repealed.

Article (21)

This Decree-law shall be published in the Official Gazette, and it shall come into effect ninety days as of the publication date.

Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates

Issued by us in the presidential palace in Abu Dhabi:

On: 24 Dhu al-Hijjah 1437 AH

Corresponding to: 26 September 2016 AD