



Excise Tax

The Director-General of the UAE's Federal Tax Authority ('FTA'), Khalid Al Bustani, announced last week that excise tax at a rate of 100% would be implemented on tobacco and energy drinks, with fizzy drinks being taxed at 50% (excluding carbonated water), effective from the fourth quarter of the year.

In continuation to this, President His Highness Shaikh Khalifa Bin Zayed Al Nahyan has issued a Federal Decree-Law on Excise Tax, which will be imposed on selected products, as determined by the Council of Ministers and recommended by Shaikh Hamdan Bin Rashid Al Maktoum, Deputy Ruler of Dubai and UAE Minister of Finance, and Chairman of the Federal Tax Authority, FTA.

Outlined in this alert are the 10 imperative elements which relate to the Federal Decree-Law No. 07 of 2017.

What activities will be covered under Excise?

The following activities related to Excise Goods will be subject to Excise Tax:

- a) **Production** of Excise Goods in the State, where such production was in the course of doing business;
 - b) **Import** of Excise Goods;
 - c) **Release of Excise Goods from a Designated Zone;** and
 - d) **Stockpiling** of Excise Goods in the State, where such Stockpiling was in the course of doing business.
- *Designated Zone - Any fenced area intended to be a free zone that cannot be entered or exited except through a designated road, and any area designated by the Authority as being subject to the supervision of a Warehouse Keeper*
 - *Stockpiler: The Person who owns Excise Goods and cannot demonstrate that such goods had been previously subject to Tax*

Which goods will be taxed?

At its thirty-seventh meeting, in December 2016, the Supreme Council of the Gulf Cooperation Council, GCC, issued a resolution on excise goods list, which contains tobacco products, energy drinks and certain soft drinks. However, for the UAE, the list of Excise goods is expected to be issued soon, which will be determined by the Council of Ministers and recommended by Shaikh Hamdan Bin Rashid Al Maktoum, and UAE Minister of Finance, and Chairman of FTA.

Who will be responsible for paying Tax?

The tax due shall be the responsibility of:

- a) The Person who conducts any of the listed activities;
- b) The Person involved in any of the activities, in the event the Person who conducted the activity has failed to meet his obligation to pay the Tax; and
- c) The Warehouse Keeper, in the case of the release of Excise Goods from a Designated Zone, and where the Payable Tax has not been previously paid

Do I need a separate registration under Excise?

Yes. A Person shall be prohibited from conducting any of the activities before registration for Tax purposes. A unique number i.e. Tax Registration Number ('TRN') will be issued by the Authority for each Person registered for Tax purposes.

When does the Excise Tax need to be calculated?

Tax shall be calculated as per the following dates:

No.	Activity	Dates for tax calculation
1	Production	When released for consumption
2	Import	Date of Import
3	Release from a designated Zone	When released for consumption
4	Stockpiling	Date on which goods were acquired or effective date of this Law, whichever is later

Will there be any exemption under Excise?

- Excise Goods that are exported shall be exempt from Tax
- Article 13 specifies Designated Zones to be treated as outside the State for tax purpose. Therefore, anything cleared to a designated Zone may also be kept out of scope of Excise Tax
- Article 14 mentions that goods may be transferred from one Designated Zone to another without being subject to Tax

Will there be any deduction from Tax Payable?

Yes, the Deductible Tax consists of the following:

- a) The Tax paid on Excise Goods which have been exported;
- b) The Tax paid on Excise Goods which have become a component of another Excise Good which is, or will become, subject to tax; and
- c) Amounts paid to the Authority in error.

When will the Tax need to be submitted, and will there be any return required?

The Taxable Person shall submit a Tax Return to the Authority at the end of each Tax Period within the timeframes and in accordance with the procedures specified in the Executive Regulation of this Decree-Law. The Taxable Person shall settle the Payable Tax appearing in the Tax Return on the same date of submitting the Tax Return

We expect the FTA to issue the Executive Regulations of this Decree Law shortly, so that the related procedures can also be concluded.

What records will be required to be maintained by a person holding a TRN ?

A Taxable Person will be required to keep the following records:

- a) Records of all produced, imported or stockpiled Excise Goods;
- b) Records of exported Excise Goods and evidence of such Export;
- c) Records of stock levels, including details of lost or destroyed items; and
- d) A Tax Record that includes the following information:
 - 1) Due Tax on imported Excise Goods;
 - 2) Due Tax on produced Excise Goods;
 - 3) Due Tax on Excise Goods that have been stockpiled; and
 - 4) Deductible Tax according to the provisions of Article (16) of this Decree-Law;

Apart from that Article 25 requires a taxable person to State the Tax Registration Number on all correspondence and dealings with the Authority, Tax Returns and any document related to Tax.

Do I need to mention price on the Excise goods as well?

The advertised prices of Excise Goods shall be inclusive of the Tax. Instances where prices do not include the Tax will be determined by the Executive Regulation of this Decree-Law.

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