New Excise Products Update for Stockpilers

7 Nov 2019
Carbonated drinks – 50%
1. Any aerated beverage except for unflavored aerated water.
2. Any concentrate, powder, gel or extract intended to be made into an aerated beverage

Tobacco & Tobacco products – 100%
1. All items listed within Schedule 24 of the GCC Common Customs Tariff

Energy drinks – 100%
1. Any beverage which is marketed or sold as an energy drink, containing stimulant substances that provide mental and physical stimulation such as caffeine, taurine, ginseng and guarana.
2. Any concentrate, powder, gel or extract intended to be made into an energy enhancing drink
Saudi’s General Authority for Zakat and Tax (Gazt) said it approved amendments to existing regulations on May 15 2019. According to the guidance published in the official gazette, a 100 per cent tax will be enforced on e-cigarettes and its accompanying tools, and a 50 per cent tax on soft and sugary drinks.

The UAE imposed excise duty on certain items at the end of 2017 and is now considering the inclusion of more products on its excise tax list, according to a statement by the Ministry of Finance in April 2019.

Excise on sweetened beverages, sugary drinks and electronic smoking devices is expected to be introduced in UAE before 1st January 2020. As per latest FTA communication dated 7th October 2019, implementation date in UAE is going to be 1st December 2019, similar to expected KSA implementation date.
# New Excise Products Details

## What Additional Products and Rates?

- **Sweetened drinks** – 50%  
  - Drinks with added sugar (per GSO 148) or sweetener (per GSO 995)  
  - Ready to drink beverage or concentrates, powder, gels, extracts or any form converted into sweet drinks  
- **Liquids used in electronic smoking devices and tools** – 100%  
- **Electronic smoking devices and tools** – 100%

## Who is expected to register?

<table>
<thead>
<tr>
<th><strong>Producers</strong> producing the Excise Goods locally</th>
<th><strong>Importers</strong> importing the Excise Goods into UAE</th>
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<tbody>
<tr>
<td><strong>Stockpilers</strong> holding stock on implementation date beyond defined norms</td>
<td>Persons releasing Excise Goods from Designated Zones</td>
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</table>

## What Excise Price for Excise Tax determination?

- Excise Price will be higher of:  
  - Price published by FTA in a standard price list  
  - Designated Retail Sales Price less the Excise Tax applicable
Stockpiler Requirement

Stockpiler Criteria

- Owns Excise Goods held in free circulation and on which Excise Tax has not been paid on the implementation date
- Normal stock holding will not be considered to make a business as Stockpiler, however excise will be payable in case Excise is collected from the customers wef 1st Dec 19.
- Excise Tax is payable on excess stock over:
  - One month average stock holding or
  - Two month average sales
    Whichever is higher

What Excise Price for Excise Tax determination?

- Excise Price will be higher of:
  - Price published by FTA in a standard price list OR
  - Designated Retail Sales Price less the Excise Tax applicable

Compliance Requirements

- Stockpilers would have to be registered for Excise where the stock exceeds normal stock holding.
- Also the Excise Products in stock would have to be included in the Stockpilers’ registration
- Stock count certification as on date of implementation would be required for future reference
- In case of normal stock holding below Excise norms, certification would be required to prove the stock levels below Excise norms
What needs to be done?

- Evaluate pricing models and strategies post excise implementation
- Review of supply chain process, stock holding and inventory control in outlets
- Coordinate with FTA on the entity and products registration related requirements
- Certification for stock holdings as on implementation date and stock levels as per Excise norms
- Return filing on due date for the excise due on excess and normal stockpiling as applicable
- Penalties would apply for delayed registration and non-compliance to regulations
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