Executive summary

On 27 September 2017, pursuant to the release of the Excise Tax Law, the United Arab Emirates (UAE) Ministry of Finance has issued the Cabinet Decision No. (37) of 2017 on the Executive Regulation of the Federal Decree-Law No. (7) of 2017 on Excise Tax (Excise Tax Executive Regulation) and the Cabinet Decision No. (38) of 2017 on Excise Goods, Excise Tax Rates and the Method of Calculating the Excise Price on its official website. The excise tax will be implemented as of 1 October 2017.

Unofficial translated copies are available on the Federal Tax Authority’s website.

Detailed discussion

Excise Tax scope and rates

The excise goods and tax rates are:

- Tobacco and tobacco products at 100%
- Energy drinks at 100%
- Carbonated drinks at 50%
Excise price
The excise tax will be applied to the excise price of the goods. The excise price will be the higher of the price published by the Federal Tax Authority (FTA) in a standard price list or the designated retail sales price of the goods, excluding the excise tax applicable.

Designated Zones
Fenced free zones in the UAE which meet certain conditions or areas specified by the FTA which have security measures in place to restrict the entry and exit of individuals and the movement of goods to and from these areas may qualify as a Designated Zone. Thus, excise goods stored, preserved or processed in such Designated Zones or transferred between the Designated Zones will not be subject to excise tax until the goods are released for consumption in the UAE. A warehouse keeper must be appointed for each Designated Zone and the prime responsibility of such an individual is to control and supervise the Designated Zone.

Excise tax registration
Producers, importers, stockpilers, warehouse keepers and any other persons involved in the activities of excise goods where the excise tax in the supply chain goes unpaid are required to register for excise tax in the UAE. There is no threshold for the excise tax registration.

Exemption from registration
A business which does not import excisable goods more than once in a period not exceeding 6 months or less than 4 times in a 24-month period may apply to the FTA for an exemption from registration. The exempted business will be required to pay the excise tax due at or before the import of the goods into the UAE.

Excise tax declarations and compliance
Excise tax declarations will be required to be filed in order to declare the excise goods and pay the excise tax. Excisable persons are required to register for excise tax via the FTA website. The tax period for excise tax return filing will be one calendar month and the return should be submitted via the FTA online portal within 15 days following the end of the relevant tax period. A payment of the due tax should be made to FTA no later than the 15th day following the end of a calendar month.

Implications
It is imperative that any business operating in the UAE that is required to register for excise tax purposes should take immediate steps to become compliant with the Excise Tax Law and its Executive Regulations.

Businesses should also initiate an excise tax impact assessment immediately in order to determine the potential operational and commercial implications of this new tax regime and the steps required to achieve sustainable tax and regulatory compliance.
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Indirect Tax

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