Executive summary

The United Arab Emirates (UAE) Ministry of Finance (MoF) issued the Federal Decree-Law No. (7) of 2017 on Excise Tax (Excise Law) on its official website on 21 August 2017. An unofficial translated copy is available on the MoF website. The Excise Law will be effective from 1 October 2017.

Detailed discussion

Excise Tax rates

The Gulf Cooperation Council (GCC) Member States have agreed to impose Excise Tax rates of 50% on certain “carbonated” drinks and 100% on energy drinks, tobacco and tobacco products. The detailed tax rates and the excise price mechanism will be provided in the Executive Regulations to the Excise Law, which are expected to be released shortly.

Excise Tax compliance

Manufacturers, importers, operators of warehouses in Designated Zones and owners of excisable goods which have not previously been subject to Excise Tax will be required to register with the Federal Tax Authority (FTA) for Excise Tax purposes. A failure to register by any entity subject to Excise Tax and its
associated controls will result in prohibition from conducting business activities in relation to the excisable goods. The Excise Tax collected is required to be remitted to the FTA together with a submission of an Excise Tax Return within time limits to be stipulated in the Executive Regulations. A business which does not regularly import excisable goods may apply to the FTA for an exemption from registration and will be required to pay the Excise Tax upon import of the goods into the UAE.

**Designated Zones**

Designated Zones for Excise Tax purposes are warehouses, zones or areas which are considered to be outside the scope for Excise Tax purposes. Thus, goods held in such Designated Zones and the transfer of goods between Designated Zones will not be subject to Excise Tax, which will only be imposed on excisable goods released from the Designated Zone. The criteria, conditions and controls of Designated Zones will also be set out in the pending Executive Regulations.

**Key features**

The Excise Tax Law comprises 30 Articles covering:

- Registration for Excise Tax purposes
- Tax calculation, returns, payment and exemption
- Tax refunds
- Tax evasion and penalties
- Document requirements and retention

**Implications**

Upon release of the Executive Regulations and commencement of the registration process, it is imperative that any business operating in the UAE as a manufacturer, importer, Designated Zone warehouse-keeper or owner of excisable goods should take immediate steps to become compliant with the Excise Law.

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

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