

AURIFER MIDDLE EAST TAX

EXPANDING THE SCOPE OF EXCISE TAX

ICAI

Dubai, 18 October 2019

Agenda

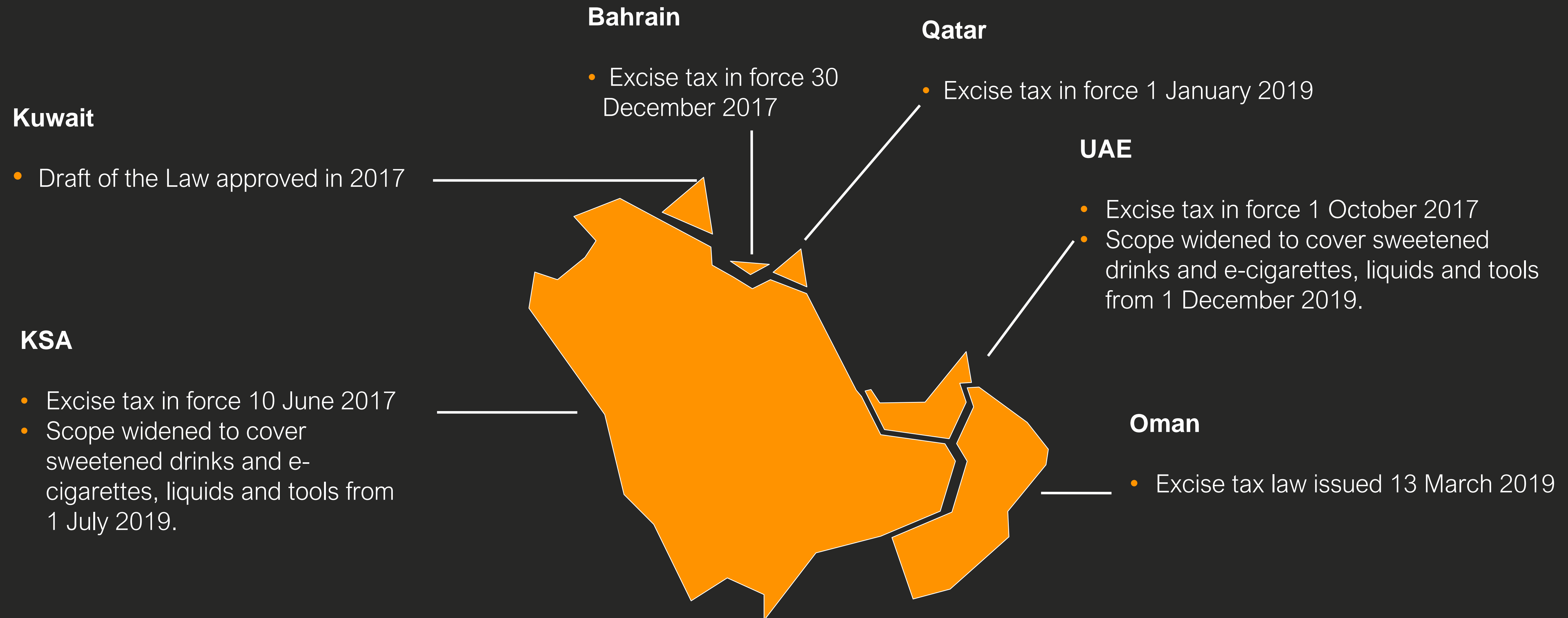
1. Status of Excise Tax in the GCC
2. Excise Tax update in the UAE
3. Common pitfalls

An aerial photograph of a rugged mountain range, likely the Alps, with a dark blue and green color overlay. The text "STATUS OF EXCISE TAX IN THE GCC" is centered in white, bold, uppercase letters.

STATUS OF EXCISE TAX IN THE GCC

Status of Excise Tax in the GCC

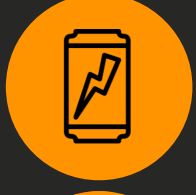
Status of Excise Tax in the GCC



Status of Excise Tax in the GCC

EXCISE TAX RATES

*Kuwait has merely approved a draft Law. Excise tax is not in effect yet.



Countries	UAE	KSA	Oman	Qatar	Bahrain	Kuwait*
Tobacco	100%	100%	100%	100%	100%	100%
Carbonated drinks	50%	50%	50%	50%	50%	50%
Energy drinks	100%	100%	100%	100%	100%	100%
E-cigarettes, liquids and tools	100%	100%	N/A	N/A	N/A	N/A
Sweetened drinks	50%	50%	N/A	N/A	N/A	N/A
Pork products	N/A	N/A	100%	N/A	N/A	N/A
Special purpose goods (e.g. alcohol)	N/A	N/A	50%	100%	N/A	N/A

A wide-angle photograph of the Dubai skyline at dusk, viewed through the large, ornate, golden-brown metal frame of the 'Frame of the World' sculpture. The frame has a complex, circular, lattice-like pattern. The skyline includes the Burj Khalifa and other skyscrapers, with a mix of modern glass buildings and older structures. The sky is a gradient of blue and orange, and the foreground shows some greenery and lower buildings.

EXCISE TAX UPDATE IN THE UAE

Scope of Excise Tax

Scope of Excise Tax

EXCISE TAX IS LEVIED ON

As from 1 October 2017



Tobacco
100%



Energy drinks
100%



Carbonated drinks
50%

As from 1 December 2019



**E-cigarettes, liquids
and tools**
100%



Sweetened drinks
50%

Electronic
smoking devices,
liquids and tools

Electronic smoking devices, liquids and tools



The FTA may request documents, laboratory tests, marketing materials or any other documents to classify the product as an excisable good

WHAT DOES THIS INCLUDE?

- Smoking devices and tools whether or not they contain nicotine or tobacco
- Liquids used in electronic smoking devices and tools used in such devices and tools whether or not they contain nicotine

Electronic smoking devices, liquids and tools

*As per the decision issued by the Minister of Finance

HS CODES*

Item	HS Code	Item
Liquids used in Electronic Smoking Devices and Tools	38249999	Others
Electronic Smoking Devices and Tools	85437031	Electronic cigarettes
	85437032	Electronic water pipe “shisha”
	85437039	Others

Electronic smoking devices, liquids and tools

MINIMUM EXCISE PRICE

Item	Minimum Excise Price
Normal and electronically heated cigarettes	AED 0.4 per cigarette
Water pipe tobacco, ready to use tobacco, similar products	AED 0.1 per 1 gram

Sweetened drinks

Sweetened drinks



The FTA may request documents, laboratory tests, marketing materials or any other documents to classify the product as an excisable good

WHAT DOES THIS INCLUDE?

Any product to which a source of **sugar** or **sweetener** is added and is produced either as:

- A ready to drink beverage that is intended to be used as a drink (e.g. frooti)
- Concentrates, powders, gel, extracts or any form that can be converted into a sweetened drink (e.g. tang, rasna, rooh afza)

Sweetened drinks

WHAT IS SUGAR?

Sugar is defined under Standard 148 of the GCC Standardization Organization. This includes, among others:

- White sugar
- Soft white sugar
- Powdered sugar
- Soft brown sugar
- Glucose syrup

Sweetened drinks

WHAT IS SWEETENER?

Sweeteners is defined under Standard 995 of the GCC Standardization Organization under the heading “Sweeteners Permitted in Food”. This includes, among others:

- Saccharin and its salts
- Aspartame
- Sorbitol
- Neotame

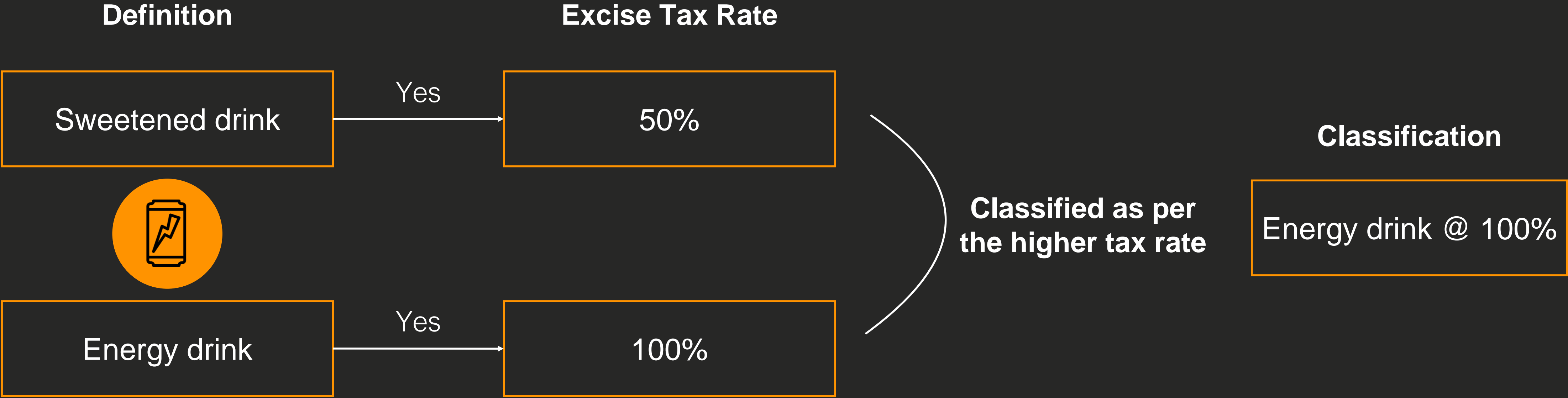
Sweetened drinks

SWEETENED DRINKS DO NOT INCLUDE:

- Ready to drink beverages containing at least 75% milk
- Ready to drink beverages containing at least 75% milk substitutes
- Baby formula, follow up formula or baby food
- Consumed for special dietary needs (std. 654 GCC Standardization Organization)
- Consumed for medical use (std. 1366 GCC Standardization Organization)
- Beverages which include alcohol

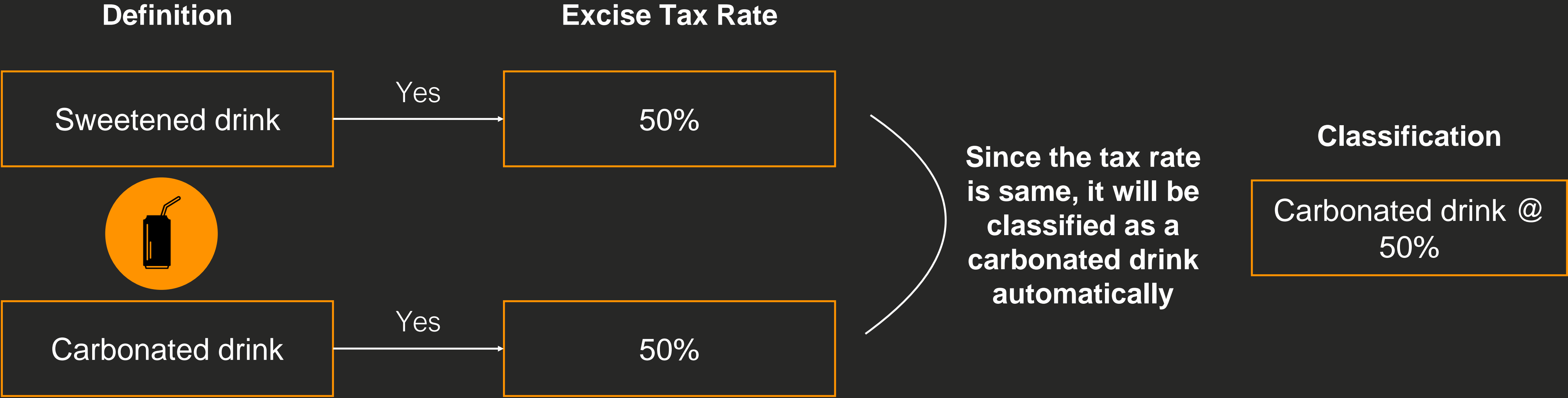
Sweetened drinks

CLASSIFICATION



Sweetened drinks

CLASSIFICATION



Sweetened drinks

CLASSIFICATION

Example:



Sweetened drink

Retail selling price (RSP)= AED 5
Excise Tax for sweetened drinks @ 50% = AED 2.5
New RSP = AED 7.5

+



Mixed with other ingredients

A restaurant purchases this concentrate at AED 7.5 and uses it to make a drink by adding other ingredients for sale to final consumers in the restaurant.

=



Mocktail

The drink is sold for AED 10. Since it has already been subject to excise tax, it will not be considered to be an excise good at the point of retail sale. Therefore, there is no need to calculate excise tax on AED 10.

Sweetened drinks

WHO WILL BE AFFECTED?



Manufacturers, importers or distributors of sweetened beverages



Retailers (supermarkets), hotels and restaurants that will have to consider stockpiling requirements

Valuation

Valuation

*Excluding excise price of concentrates,
powders, gels or extracts

EXCISE PRICE

Higher of:

- The price published by the FTA in a standard price list
- The designated retail sales price (DRSP) less any tax included (e.g. VAT)*

Maximum tax deduction :

- For excise goods taxable at 50%- one third of its DRSP
- For excise goods taxable at 100%- half of its DRSP

Valuation

DESIGNATED RETAIL SALES PRICE

Higher of:

- Recommended selling price in the course of retail sale identified, declared or affixed by the importer or producer after deducting VAT (does not include price increased by hotels, restaurants, for consumption inside the establishment)
- Average retail selling price of the goods in the market after deducting VAT (as per procedures specified by the FTA)

Valuation

DESIGNATED RETAIL SALES PRICE

Example:

Description	Price in AED
RSP / DRSP of tobacco products	70
Exclusive of 5% VAT (70 / 1.05)	66.67
Excise price (66.67 / 2)	33.33

- Step 1: The RSP and the DRSP is the same price AED 70
- Step 2: Calculate the taxable amount for VAT purposes (effectively deducting VAT from the RSP)
- Step 3: Since the tax rate for tobacco products is 100%, the excise price is calculated by dividing the designated retail sales price in half

A photograph of a broken blue ceramic plate lying on a grey concrete floor. The plate is shattered into several pieces, with the largest fragment on the right and several smaller shards scattered to the left. The text "COMMON PITFALLS" is overlaid in white, bold, sans-serif capital letters across the center of the image, partially obscuring the broken plate.

COMMON PITFALLS

Common Pitfalls



Stock count as on 30 November 2019, to report the correct excise price and pay the correct excise tax on the goods



Valuation of the excise price by using the RSP published by the FTA or the DRSP, whichever is higher



Classifying the goods, i.e. carbonated drinks/ energy drinks/ sweetened drinks based



Changes to the ERP system to classify, calculate and report excise tax



Excise compliance- registering for excise tax, cost of maintaining documents, filing stock counts and excise returns on time
Interaction with customs and free zone regimes



Calculating the Designated Retail Sale Price

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