

UAE announces anticipated expansion of excise tax

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Executive summary

On 19 August 2019, the United Arab Emirates (UAE) Ministry of Finance (MoF) announced an anticipated expansion of product categories subject to excise tax (excise goods), including electronic smoking devices, liquids used in smoking devices and sweetened beverages. Excise tax will apply to the new excise goods with effect from 1 January 2020. The anticipated expansion will significantly broaden the impact of the excise tax on businesses active in the food and beverage and cigarette industries.

Detailed discussion

Background

Federal Decree Law No. (7) of 2017 (Excise Law) has applied excise tax to all goods listed in Cabinet Decision No. (38) of 2017 (Decision 38), with effect from 1 October 2017. Decision 38 currently imposes excise tax on "excise goods" at the following rates:

Excise goods	Rate
Tobacco and tobacco products	100%
Carbonated drinks	50%
Energy drinks	100%

Decision 38 also stipulates the method for determining the amount of excise tax, which is calculated as a percentage of the retail sales price or “excise price.” The maximum percentage of excise tax should not exceed 200% of the excise price.

Inclusion of new goods on the excise goods list

According to the MoF, the excise tax, with effect from 1 January 2020, will also apply to the following product categories:

Excise goods	Rate
Electronic cigarettes (with or without nicotine or tobacco)	100%
Liquids used in electronic cigarettes	100%
Beverages with added sugar or sweeteners	50%

Beverages containing at least 75% milk or milk substitutes, baby formula or baby food and beverages consumed for special dietary needs are expected to be excluded from the excise tax.

The MoF is expected to publish the official expanded excise goods list as an amendment to Decision 38 before the end of 2019.

Implications

The absence of a minimum registration threshold for excise tax means that the excise tax registration obligation applies to all businesses that produce, import or stockpile “excise goods” in(to) the UAE or release the “excise goods” from a designated zone into the UAE free circulation. To avoid last minute registration delays, the Federal Tax Authority has already launched a new excise tax registration process for businesses likely to be affected by the expanded coverage of the excise tax and recommends that businesses promptly commence their registration.

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