



UAE EXCISE TAX

Essential Guide for Professionals

Federal Tax Authority – 45 Minute Training

Mustafa G Daudi | +971 585081307



Welcome & Introduction

Training Objectives

- Understand what UAE Excise Tax is and why it exists
- Know who must register and when
- Learn how to calculate excise tax correctly
- Understand compliance requirements
- Know where to get help

Today's Focus

Practical knowledge you can apply immediately in your work

Duration: 45 Minutes

Mustafa G Daudi | +971 585081307

Your Speaker Today

Mustafa G Daudi

Your Friend and UAE Tax Expert

Professional Journey

10+ Years in Indirect Taxation

Industry Experience:

- Leighton India Contractors (Real Estate) - India
- Damac Properties (Real Estate) - UAE

Consultancy Experience:

- Ernst & Young India
- Ernst & Young Saudi Arabia

Geographic Expertise

India | Saudi Arabia | Bahrain | Oman | UAE

Specialized Experience

- GST & e-invoicing implementation - India (Fortune 500 companies)
- VAT implementation - Saudi Arabia & UAE
- **Current Focus:** E-invoicing implementation (UAE & Oman)
- **Sweetened Drinks Excise:** Pro-actively guided clients through ad valorem to tiered volumetric transition

Qualifications

- **Fellow Chartered Accountant (FCA)**
- ADIT (Advanced Diploma in International Taxation) - *in progress*
- Diploma in UAE VAT from PwC Academy - *in progress*

Beyond Taxation

"Taxation is my bread and butter, but my passion lies in training, fitness, and self-development"

Keen interests: Artificial Intelligence | Health & Fitness | Life Skills

Mustafa G Daudi | +971 585081307

What is Excise Tax?

Definition

Excise tax is an indirect tax on specific goods harmful to health or the environment

Key Characteristics

- Applied **once** at import, production, or stockpiling
- Not charged at every stage (unlike VAT)
- Self-assessment system
- Aims to discourage consumption of harmful goods

Legislative Framework

- **Federal Decree-Law No. 7 of 2017** on Excise Tax
- **Executive Regulation** of Federal Decree-Law No. 7 of 2017
- **Federal Decree-Law No. 28 of 2022** on Tax Procedures
- Implemented: October 1, 2017
- Administered by Federal Tax Authority (FTA)

Mustafa G Daudi | +971 585081307

Excise Goods & Tax Rates

Current Taxable Products & Rates

Excise Good	Tax Rate	Effective Date
Tobacco & tobacco products	100%	October 1, 2017
Energy drinks	100%	October 1, 2017
E-smoking devices & tools	100%	December 1, 2019
E-smoking liquids	100%	December 1, 2019
Sweetened drinks	Tiered Volumetric	January 1, 2026

Important Changes (Jan 1, 2026)

- **Carbonated drinks** no longer a separate category
- Now taxed based on sugar content under "sweetened drinks"
- Rates: **AED 0.79/L** (moderate sugar) or **AED 1.09/L** (high sugar)
- Zero tax for drinks with only artificial sweeteners (<5g sugar/100ml)

Understanding the Products

Tobacco Products (100%)

- Cigarettes, cigars, waterpipe tobacco
- Chewing tobacco, snuff
- **Minimum prices:** AED 0.4/cigarette, AED 0.1/gram waterpipe

Energy Drinks (100%)

- **Marketed as** energy drinks
- Contains stimulants (caffeine, taurine, ginseng)
- Claims about mental/physical performance
- Remains at 100% under existing calculation method

Sweetened Drinks (Tiered Volumetric - 2026)

Includes: Any drink with added sugar or sweeteners

- Carbonated soft drinks, flavored drinks, sweetened teas
- Concentrates, powders, gels, extracts

Tax based on sugar content per 100ml:

- High sugar ($\geq 8\text{g}$): **AED 1.09/L**
- Moderate sugar (5-7.99g): **AED 0.79/L**
- Low sugar or artificial only ($< 5\text{g}$): AED 0/L

Mustafa G Daudi | +971 585081307

Who Must Register?

Four Mandatory Registration Categories

1 IMPORTERS

Importing excise goods into UAE

2 PRODUCERS

Manufacturing/producing excise goods in UAE

3 STOCKPILERS

Holding "excess" excise goods where tax not paid

Holding for business purposes

4 WAREHOUSE KEEPERS

Operating/supervising designated zones (excise warehouses)

Critical Point

NO threshold - If you do any of these activities, you **MUST** register

When to Register?

Registration Timeline

Notify FTA: Within **30 days** from end of month when you:

- Were first involved in taxable activities, OR
- Formed intention to be involved

Effective Date: First day of that month

Example

- June 15: Start importing carbonated drinks
- By July 31: Must notify FTA
- Registration effective: June 1

20K

Penalty for Late Registration

AED 20,000

Mustafa G Daudi | +971 585081307

Exception from Registration

Who Can Be Excepted?

Non-regular importers may be excepted from registration

"Regular" means:

- More than once in 6 months, OR
- 4th time within 24 months

Important Notes

- Still must **pay excise tax** at customs
- Only excepted from registration administration
- Must pay before clearing goods
- Warehouse keepers cannot be excepted

Mustafa G Daudi | +971 585081307

How to Calculate Excise Tax

Two Different Calculation Methods

METHOD 1: Ad Valorem (% of Price)

- Applies to: Tobacco, Energy Drinks, E-smoking
- Tax Base = Higher of FTA price list OR DRSP
- **Tax = Tax Base × 100%**

METHOD 2: Volumetric (Per Liter)

- Applies to: Sweetened Drinks (effective Jan 1, 2026)
- Based on sugar content per 100ml
- **Tax = Volume (liters) × Rate per liter**
- High sugar ($\geq 8\text{g}/100\text{ml}$): **AED 1.09/L**
- Moderate sugar ($5\text{-}7.99\text{g}/100\text{ml}$): **AED 0.79/L**
- Low/artificial ($< 5\text{g}/100\text{ml}$): AED 0/L

Final Price to Consumer

Tax Base + Excise Tax + VAT (5%)

Mustafa G Daudi | +971 585081307

Valuation Example

Sweetened Drink – Volumetric Calculation (2026)

Product: Flavored tea with 6.5g sugar/100ml (Moderate tier)

01	02	03
Determine sugar category	Calculate excise tax	Final price (before VAT)
<ul style="list-style-type: none">Sugar content: 6.5g/100mlCategory: Moderate sugar (5-7.99g range)Rate: AED 0.79 per liter	<ul style="list-style-type: none">Bottle size: 500ml = 0.5 litersTax: $0.5\text{L} \times \text{AED } 0.79 = \textbf{AED 0.395}$ (rounded to AED 0.40)	<ul style="list-style-type: none">Base price: AED 3.00Excise tax: AED 0.40Subtotal: AED 3.40 (before 5% VAT)

Key Point

Tax is based on **volume and sugar content**, not retail price

Mustafa G Daudi | +971 585081307

Tax Points – When is Tax Due?

Three Scenarios

1

IMPORT

- Tax due: **Date of import**
- Exception: If placed directly in designated zone

2

PRODUCTION

- Tax due: When goods **ready for retail sale**
- When fit for consumption
- When ready to sell to retailer (for concentrates)

3

STOCKPILING

- Tax due: Date acquired OR law effective date (whichever later)
- Only on "excess" stock

Key Point

Tax point determines which monthly return includes the liability

Mustafa G Daudi | +971 585081307

Import Procedures

For Registered Importers

Process:

1. Log into FTA e-Services portal
2. Complete **Import Declaration (EX201)**
3. System calculates tax (from price list or self-declared DRSP)
4. Submit declaration - get Transaction ID
5. Present Transaction ID at customs
6. Customs verifies and releases goods
7. **Pay tax with monthly return by 15th**

For Non-Registered Importers

Same process BUT must **pay tax before customs clearance**



Critical

Cannot import without filing declaration first

Mustafa G Daudi | +971 585081307

Production Declarations

Producer Requirements



When

End of each tax period (monthly)



What

File **Production Declaration** including:

- Brand, quantity, volume, product code
- Excise price/DRSP
- Tax calculation



How

Via FTA e-Services portal



Result

- Tax liability calculated automatically
- Links to your TRN
- Auto-populates your monthly return



Important

One production declaration per tax period

Designated Zones (Excise Warehouses)

What Are They?

Definition: Areas treated as **outside UAE** for excise purposes

Two Types:

- **Type A:** Free zone territory (fenced, customs-controlled)
- **Type B:** Other FTA-approved areas with security

Purpose

Suspend excise tax until goods released for consumption in UAE

Who Can Operate?

Only appointed **Warehouse Keepers** (must register with FTA)

Effect

- Goods can enter/exit/transfer between zones without tax
- Tax only due when released to UAE market

Mustafa G Daudi | +971 585081307

Designated Zone Operations

Key Rules

Tax Suspension

Goods can move between zones without tax IF:

- Not consumed during transfer
- Not missing/deficient
- Proper procedures followed

Warehouse Keeper Responsibilities

- Track all stock movements
- Issue movement documents
- Confirm taxable person's declarations
- Maintain security and conditions

When Tax Becomes Due

- Goods released to UAE free circulation
- Goods consumed in zone
- Goods missing (unless legitimate cause reported within 30 days)

Mustafa G Daudi | +971 585081307

Refundable Tax (Deductible Tax)

When Can You Reclaim Tax?

Three Situations:

- | | | |
|---|--|--|
| <p>1 EXPORT</p> <ul style="list-style-type: none">• Paid tax on goods subsequently exported• Goods consumed outside UAE | <p>2 PRODUCTION</p> <ul style="list-style-type: none">• Paid tax on input goods• Used to produce new excise good• New good also taxed | <p>3 ERROR</p> <ul style="list-style-type: none">• Tax paid incorrectly |
|---|--|--|

How to Claim

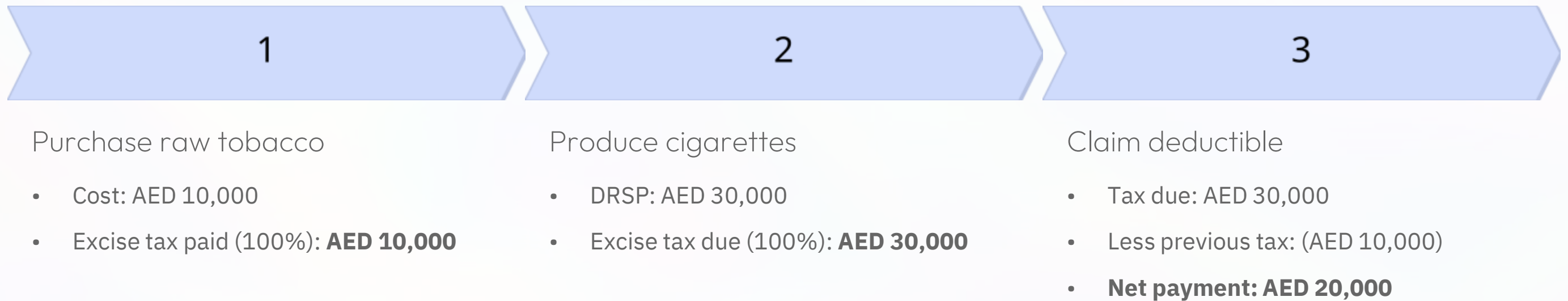
File **Deductible Tax Declaration** before submitting return

Mustafa G Daudi | +971 585081307

Refundable Tax Example

Production Scenario

ABC Company manufactures cigarettes:



Purpose

Avoid double taxation on same value

Mustafa G Daudi | +971 585081307

Excise Tax Returns

Filing Requirements



Tax Period

One calendar month



Method

Online via FTA e-Services portal



Due Date

15th day of following month



Content

Auto-populated from your declarations:

- Import declarations
- Production declarations
- Designated zone movements
- Deductible tax
- Local purchases

Your Job

Verify all auto-populated values are correct

Mustafa G Daudi | +971 585081307

Payment Requirements

Payment Rules

When: 15th of month following tax period

How: As specified by FTA (via e-Services)

What: Total excise tax due less any deductible tax

Excess Refundable Tax

If deductible > payable:

- No payment due
- Carry forward to next period
- After **2 periods**, can apply for refund

Late Payment

Subject to penalties and interest

Mustafa G Daudi | +971 585081307

Local Purchases

When to Report

Scenario: You're registered and you buy excise goods in UAE where:

- Tax already paid by supplier
- You intend to export them, OR
- Use them to produce other excise goods

Process

01

File **Local Purchase Form (EX203A)**

02

Provide seller's TRN and invoice

03

Then file deductible declaration

04

Claim refund in your return

 Purpose

Track goods for deductible tax claims

Penalties – Stay Compliant!

Administrative Penalties

Violation	Penalty
Late registration	AED 20,000
Late return (1st time)	AED 1,000
Late return (repeat < 24 months)	AED 2,000
Late payment	Incremental fines
Serious non-compliance	Up to 300% of tax

Additional Consequences

- FTA audits
- Tax assessments
- Business restrictions
- Criminal prosecution (severe cases)

Voluntary Disclosure

When Errors Happen

Must Disclose if **UNDERPAYMENT**:

Amount	Deadline
> AED 10,000	20 business days from discovery
≤ AED 10,000	Correct in next return OR 20 business days

May Disclose if **OVERPAYMENT:** To claim back excess tax paid

How

Submit via FTA e-Services portal

Benefit

Reduces penalties compared to FTA discovering error

Mustafa G Daudi | +971 585081307

Digital Tax Stamps (DTS)

What & Why?

Purpose:

- Validate authenticity of tobacco products
- Track and trace supply chain
- Verify tax payment
- Combat illicit trade

Mandatory For: All tobacco products

Implementation Status

Cigarettes: Fully implemented (since August 2019)

Waterpipe tobacco & E-cigarettes: Phase 2

Other tobacco: Future phases



Critical

Cannot import, produce, or sell tobacco without DTS stamps

Mustafa G Daudi | +971 585081307

DTS Compliance

Requirements

Who Must Comply

- Manufacturers (UAE and international)
- Importers
- Distributors
- Warehouse keepers

Returning Stamps

Must return unused stamps after 12 months or when ceasing business

Note: Fees not refunded

What to Do

- Order stamps from authorized supplier (De La Rue)
- Affix to all tobacco product packs
- Report via DTS system
- Maintain end-to-end traceability

Mustafa G Daudi | +971 585081307

FTA Audits

What to Expect

Why Audits?

- Verify self-assessment accuracy
- Ensure compliance
- Risk-based selection

Frequency Depends On

- Business size and complexity
- Compliance history
- Risk to revenue

Notice & Results

Notice: Usually 5 business days (no notice for suspected evasion)

Results: Notified within 10 business days after audit

Mustafa G Daudi | +971 585081307

Audit Preparation

Your Obligations

Provide

- Full facilities and assistance
- Access to premises and records
- Relevant staff availability
- Cooperation with FTA officers

FTA Powers

- Inspect documents and premises
- Request records (original or copies)
- Take samples
- Interview staff
- Request third-party information

Tip

Maintain organized records - makes audits smoother and faster

Mustafa G Daudi | +971 585081307

Appeals Process

Three-Tier System

TIER 1: FTA Reconsideration

- Submit within 20 business days
- FTA reviews own decision
- Gateway to further appeals

TIER 2: Tax Disputes Committee

- Must first request reconsideration
- Pay outstanding liabilities
- Judicial review by experts

TIER 3: Courts

- 20 business days from committee decision
- Disputes < AED 100,000 not appealable from Tier 2

Key

Cannot skip tiers - must follow process

Mustafa G Daudi | +971 585081307

Record Keeping

What to Keep

All Taxable Persons

- Import/production declarations
- Sales and purchase invoices
- Stock records
- Tax calculations and returns
- Movement documents
- Correspondence with FTA

Retention Period

Typically **5 years** (as specified by FTA)

Warehouse Keepers Also

- Entry/exit logs
- Stock levels at all times
- Transfer documentation

Account Management

Notify FTA of Changes

Account Details Changes

- Business name
- Address
- Bank details
- Business activity

Material Changes

- Business sold or ceases
- No longer conducting taxable activities
- Change in partnership

Method: Registration amendment form via e-Services

Failure to Notify: Penalties apply

Mustafa G Daudi | +971 585081307

Deregistration

When You Can Deregister

Eligibility

- No longer engaged in taxable activities
- Ceased importing/producing/stockpiling

Timeline: Notify FTA within **30 days** from cessation date

Prerequisites

- ✓ All returns filed
- ✓ All taxes paid
- ✓ All penalties settled

Effective Date: Date activity ceased

Mustafa G Daudi | +971 585081307

Compliance Best Practices

Ten Golden Rules

- **Register on time** - Don't wait for the deadline
- **File all declarations** - Before submitting return
- **Verify auto-populated data** - Don't assume it's correct
- **Keep organized records** - Prepare for audits
- **Use FTA price list** - But verify DRSP is not higher
- **File voluntary disclosures** - When you find errors
- **Pay on time** - 15th of following month
- **Monitor FTA updates** - Laws and clarifications change
- **Train your team** - Multiple people should understand process
- **Seek professional help** - For complex situations

Common Mistakes to Avoid

Top Pitfalls

× **Late registration** (AED 20,000 penalty)

× **Missing declarations** (return won't be complete)

× **No DTS stamps on tobacco** (cannot sell)

× **Poor record keeping** (audit problems)

× **Incorrect valuation** (using wrong price or rate)

× **Poor DZ documentation** (warehouse keeper confirmations)

× **Ignoring FTA communications** (deadlines still apply)

× **Not claiming deductible tax** (losing money)

Mustafa G Daudi | +971 585081307

Where to Get Help

FTA Resources



Website

www.tax.gov.ae

- Guides and manuals
- Public clarifications
- Forms and templates
- E-learning modules



E-Services Portal

- Registration
- Filing declarations and returns
- Payments
- View tax account



Excise Helpline

600 599 994



EmaraTax Platform

24/7 digital services

Mustafa G Daudi | +971 585081307

Professional Support

When to Seek Help

Consider Professional Advice For:

- Complex business structures
- International operations
- Designated zone setup
- Audit preparation/response
- Appeals and disputes
- Technical interpretations

Who Can Help

- FTA-approved tax agents
- Accounting firms
- Legal advisors
- Industry consultants

 Remember

You remain responsible for accuracy even with agent

Mustafa G Daudi | +971 585081307

Key Takeaways

Remember These Essentials

- ✓ Excise tax = **One-time** indirect tax on harmful goods
- ✓ **Four registration types:** Importer, Producer, Stockpiler, Warehouse Keeper
- ✓ **No threshold** - any involvement requires registration
- ✓ **Tax calculation:** Ad valorem 100% (tobacco, energy, e-smoking) OR volumetric per liter (sweetened drinks based on sugar)
- ✓ **Carbonated drinks** no longer separate category (now part of sweetened drinks)
- ✓ **Returns & payment:** 15th of following month
- ✓ **DTS mandatory** for all tobacco products
- ✓ **Lab certification required** for sweetened drinks (MoIAT certificate)
- ✓ **Refundable tax** available for exports and production
- ✓ **Penalties are significant** - compliance is critical

Mustafa G Daudi | +971 585081307

Next Steps & Q&A

Your Action Plan



Immediate

1. Review your business activities
2. Determine if registration required
3. Gather necessary documents



Within 30 Days

1. Register with FTA (if required)
2. Set up e-Services account
3. Implement record-keeping system



Ongoing

1. Train relevant staff
2. Establish compliance calendar
3. Monitor FTA updates
4. Maintain relationship with tax advisor

Mustafa G Daudi | +971 585081307

NEWS

Stay informed with
curated industry
updates.

E-LEARNING

Boost your expertise with our e-
learning hub for students and
professionals.

ARTICLES

Immerse yourself in articles
contributed by industry
professionals.

FORUM

Dive into tax and finance
topics with interactive,
collaborative learning.

LAW LIBRARY

Explore Gulf country laws, executive
regulations, cabinet decisions,
guidelines with a robust search
function.

Questions?

Mustafa G Daudi | +971 585081307

Let's Stay Connected!

Mustafa G Daudi

Your Friend and UAE Tax Expert



Email

mustafagdaudi@gmail.com



Mobile

+971 585081307



LinkedIn

<https://www.linkedin.com/in/mustafagdaudi/>

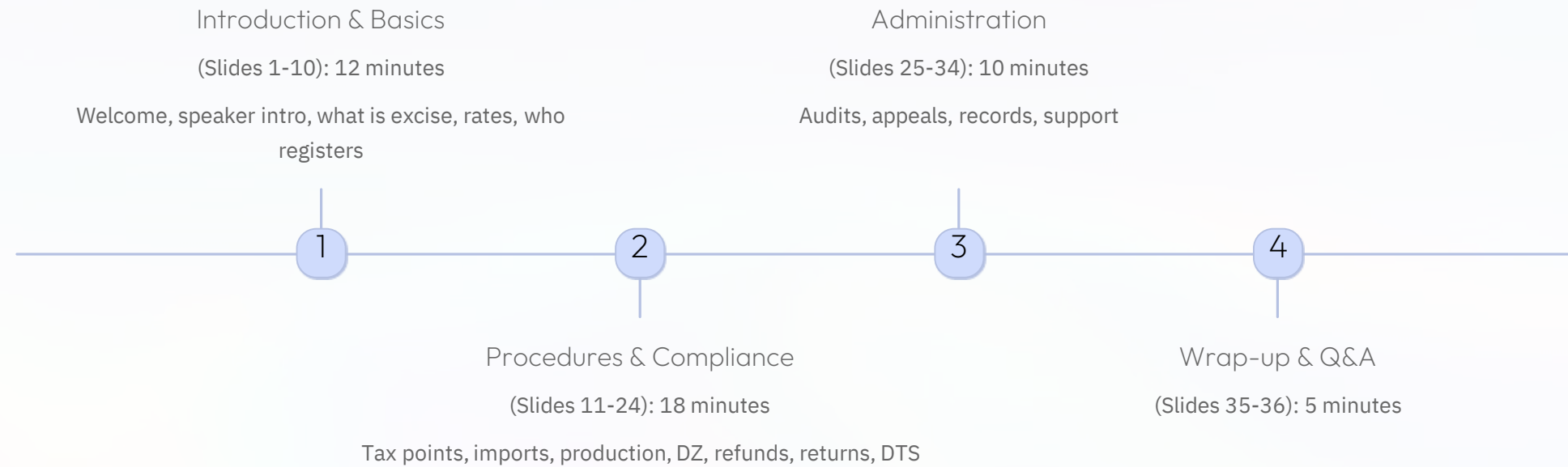
Feel free to reach out for any tax advisory, training, or consultation needs

Thank you for your attention!

Mustafa G Daudi | +971 585081307

Presenter Notes

Timing Guide (45 Minutes)



Delivery Tips

- Use real examples from participants' industries
- Pause after complex slides (valuation, DZ)
- Encourage questions throughout
- Have FTA website open for live demo
- Share contact information for follow-up

Key Messages

- Compliance is mandatory
- Help is available
- Start early, don't wait
- Maintain good records



At FintEdu, we're not just another educational platform.
We're a technology-driven force that empowers tax, finance, and accounting professionals in the Middle East, helping you excel in today's ever-evolving global marketplace.

connect@fintedu.com

www.FintEdu.com