



UAE EXCISE TAX

Essential Guide for Professionals

Federal Tax Authority - 45 Minute Training

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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

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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

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)

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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 (<5g): AED 0/L

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

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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

20K

Effective Date: First day of that month

Penalty for Late Registration

Example

AED 20,000

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

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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

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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 (5-7.99g/100ml): **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%)

Valuation Example

Sweetened Drink - Volumetric Calculation (2026)

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

01

Determine sugar category

- Sugar content: 6.5g/100ml
- Category: **Moderate sugar** (5-7.99g range)
- Rate: **AED 0.79 per liter**

02

Calculate excise tax

- Bottle size: 500ml = 0.5 liters
- Tax: $0.5L \times \text{AED } 0.79 = \text{AED } 0.395$ (rounded to AED 0.40)

03

Final price (before VAT)

- Base price: AED 3.00
- Excise tax: AED 0.40
- **Subtotal: AED 3.40** (before 5% VAT)

Key Point

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

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

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**



Cannot import without filing declaration first

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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

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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)

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Refundable Tax (Deductible Tax)

When Can You Reclaim Tax?

Three Situations:

1 EXPORT

- Paid tax on goods subsequently exported
- Goods consumed outside UAE

2 PRODUCTION

- Paid tax on input goods
- Used to produce new excise good
- New good also taxed

3 ERROR

- Tax paid incorrectly

How to Claim

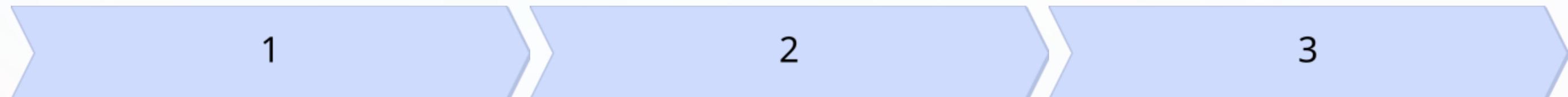
File **Deductible Tax Declaration** before submitting return

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Refundable Tax Example

Production Scenario

ABC Company manufactures cigarettes:



Purchase raw tobacco

- Cost: AED 10,000
- Excise tax paid (100%): **AED 10,000**

Produce cigarettes

- DRSP: AED 30,000
- Excise tax due (100%): **AED 30,000**

Claim deductible

- Tax due: AED 30,000
- Less previous tax: (AED 10,000)
- **Net payment: AED 20,000**

Purpose

Avoid double taxation on same value

Excise Tax Returns

Filing Requirements



Tax Period

One calendar month



Due Date

15th day of following month



Method

Online via FTA e-Services portal



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

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

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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	Benefit
Submit via FTA e-Services portal	Reduces penalties compared to FTA discovering error

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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

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DTS Compliance

Requirements

Who Must Comply

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

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

Returning Stamps

Must return unused stamps after 12 months or when ceasing business

Note: Fees not refunded

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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

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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



Maintain organized records - makes audits smoother and faster

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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



Cannot skip tiers - must follow process

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

Warehouse Keepers Also

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

Retention Period

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

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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

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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

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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)

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

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

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

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

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

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

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

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Where to Get Help

FTA Resources



Website

www.tax.gov.ae

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



Excise Helpline

600 599 994



E-Services Portal

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



EmaraTax Platform

24/7 digital services

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

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Key Takeaways

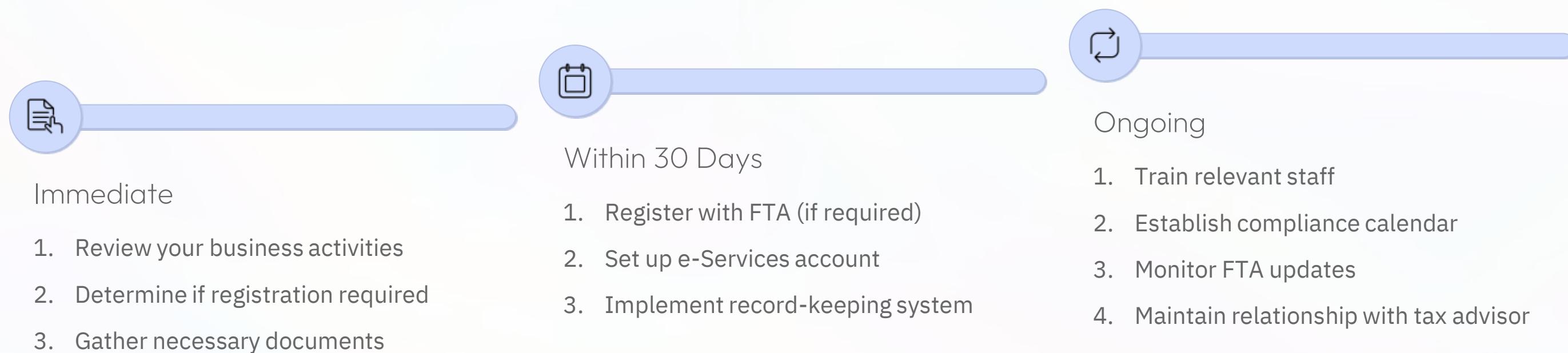
Remember These Essentials

- ✓ 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

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Next Steps & Q&A

Your Action Plan



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Questions?

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Let's Stay Connected!

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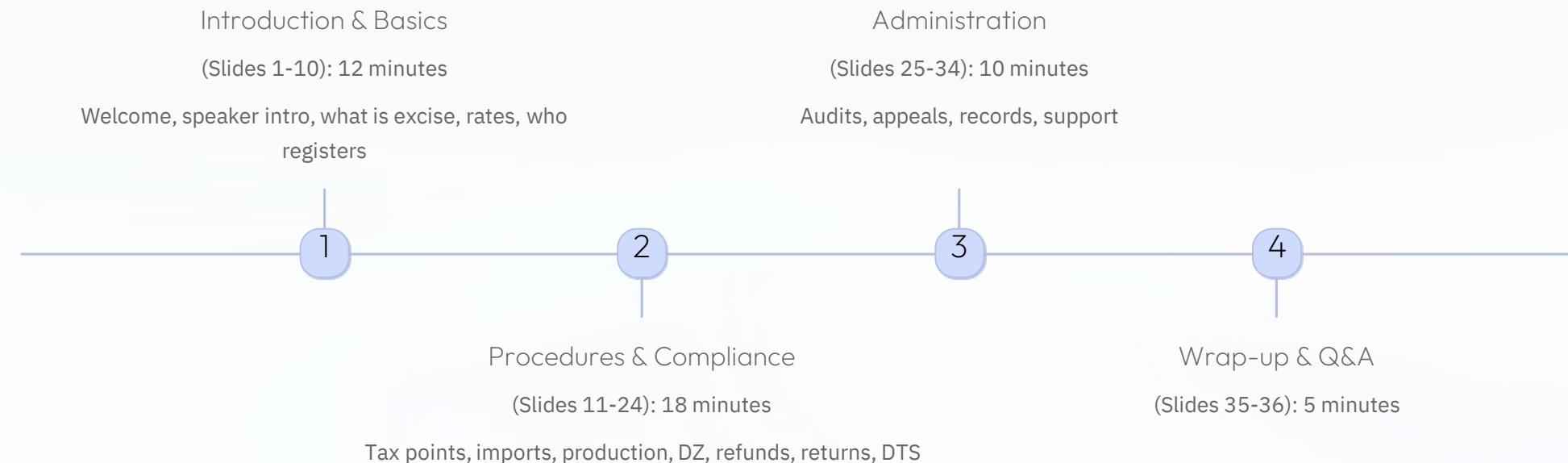
Feel free to reach out for any tax advisory, training, or consultation needs

Thank you for your attention!

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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



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