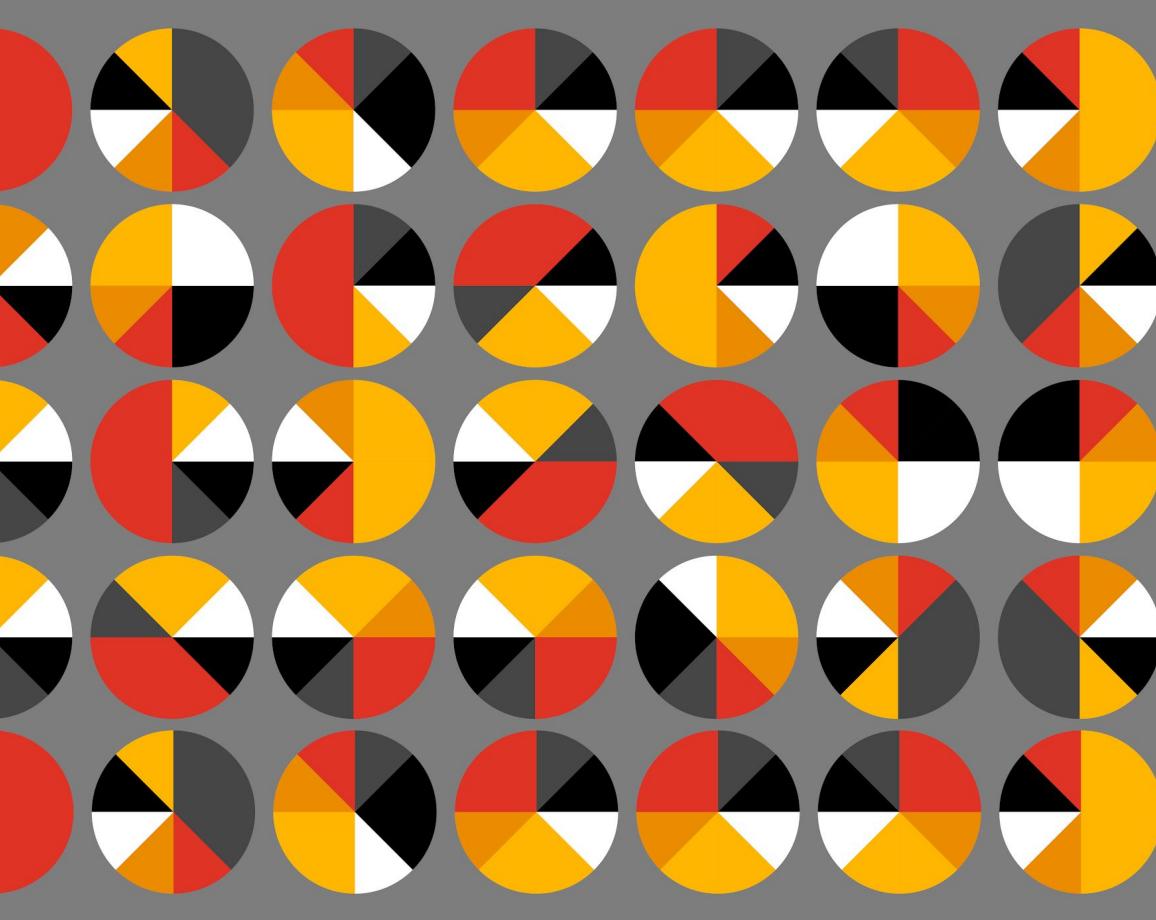


UAE: Definition of sugar sweetened beverages for Excise Tax purposes - what to do next?

August 2019



In brief

The UAE Cabinet has announced that the UAE will apply a 50% Excise Tax on Sugar Sweetened Beverages (“SSBs”) and a 100% Excise Tax on electronic smoking devices and equipment, as well as on the liquids used in electronic smoking devices and equipment. The Decision to expand the list of Excise Goods is expected to be applicable as of 1 January 2020.

The Federal Tax Authority (“FTA”) has recently declared that an entirely new registration procedure was put in place earlier this month for adding the new Excise Goods and has called on concerned businesses to register their products on the FTA’s new system.

In detail

According to a statement released by the UAE Cabinet General Secretariat, Excise Tax will apply on additional goods in support to the UAE Government’s efforts to promote healthier consumption and prevent chronic diseases linked to the consumption of specific products. Accordingly, the tax will apply as follows:

- An Excise Tax of 50% will be levied on any product with added sugar or other sweeteners, whether in the form of a beverage or a concentrate, powder, extract or any product that may be converted into a beverage; and
- An Excise Tax of 100% will be levied on all electronic smoking devices and equipment, whether or not they contain nicotine or tobacco, as well as all liquids / e-liquids used in electronic smoking devices and equipment, whether or not they contain nicotine or tobacco.

The expansion of the list of Excise Goods will be applicable as of 1 January 2020. These goods will be added to the existing list of Excise Goods (i.e. tobacco products, energy drinks and carbonated drinks).

SSBs have been defined for Excise Tax purposes as per the following:

- Any ready-to-drink beverages that contain added sugar or added sweetener;
- Any concentrates, powders, gels or extracts intended to be made into an SSB.

For the purposes of the SSB definition for Excise Tax purposes, “sugar” includes any type of sugar determined under Standard 148 of the GCC Standardisation Organisation (“GSO”). Examples of sugar include White Sugar – Sucrose, Dextrose, Fructose, Glucose syrup and Lactose, among others.

On the other hand, “sweetener” includes any type of sweeteners as determined under Standard 995 of the GSO. Such sweeteners include, but are not limited to Aspartame, Sucratose, Acesulfame Potassium, Saccharin and Steviol Glycosides.

The Cabinet Decision excludes certain beverages from the scope of Excise Tax, even if they do meet the SSB definition. The exempt beverages are the following:

- Ready-to-drink beverages containing no less than 75 percent milk or milk substitutes;
- Baby formula or baby foods;
- Beverages consumed for special dietary needs, as determined under Standard 654 of the GSO, defined as “Foods (including beverages) which are specifically processed or formulated to satisfy particular dietary requirements which exist because of a particular physical or physiological condition.”
- Beverages consumed for medical use, as determined under Standard 1366 of the GSO, defined as “a category of foods (including beverages) for uses which are specially processed and presented for the dietary management of patients and may be used only under medical supervision.”

The FTA has communicated that it will publish a list of comprehensive manuals and guides shortly to clarify the standards and procedures for implementing Excise Tax on SSBs, Electronic Smoking Devices and liquids. The guides will also clarify the necessary steps required to complete the registration – both for Taxable Persons and Excise Goods – including the timeline and deadlines.

Producers, importers, and stockpilers of SSBs have been asked by the FTA to start their registration as an Excise Taxable Person (where applicable), as well as register the new Excise Goods on the recently updated electronic system.

The takeaway

The introduction of Excise Tax on SSBs and other tobacco related products brings a significant change to all businesses that import, manufacture or trade in those products in the UAE.

Concerned businesses need to consider the immediate effect of the new tax on their activities. We recommend to start considering the following steps for guidance:

- Identify the products that will qualify as Excise Goods under SSBs;
- Review the supply chain flows/transactions with regards to the newly identified Excise Goods, and determine the Tax trigger points and the Tax liability for each flow/transaction;
- Determine key requirements for registration as an Excise Tax Taxable Person;
- Determine key requirements to apply for a Tax Warehouse and Tax Warehouse Keeper registration (if applicable);
- Calculate excess Excise Tax (if any) during the transitional period;
- Assess the impact on pricing across the supply chain.

Businesses are urged to monitor further Excise Tax developments including clarifications and guidelines by the FTA on standards and procedures for implementing Excise Tax on the new products. Entities may already register the above mentioned products on the updated electronic system of the FTA.

We also recommend businesses to carefully assess the compliance requirements of the expansion of the existing Excise Tax regime, including compliance with the transitional rules by 1 January 2020.

www.pwc.com/me

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Jeanine Daou

Partner – Middle East Indirect
Tax Leader
+971 (0) 4 304 3744
jeanine.daou@pwc.com

Carlos Garcia

Partner – Middle East Customs and
International Trade Services Leader
+971 (0) 4 304 3936
c.garcia@pwc.com

Elie Moussan

Manager – Indirect Tax and Fiscal
Policy
+971 (0) 4 515 7140
elie.moussan@pwc.com