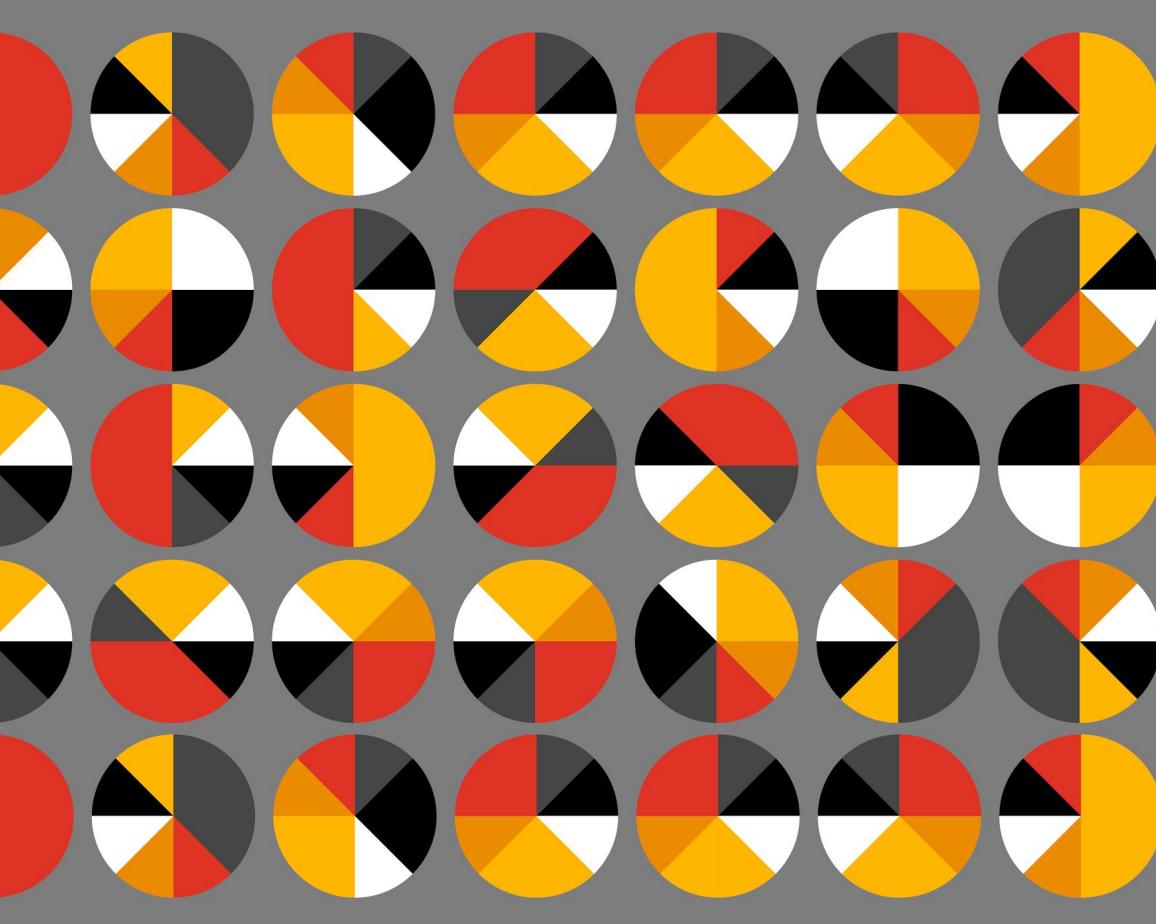


UAE: New Excise Tax obligations for Warehouse Keepers

December 2020



In brief

Further to the Federal Tax Authority's (FTA) notice published last month, additional details on the new Excise Tax stock reporting requirements have been issued, including a virtual workshop held by the FTA on December 8th, 2020 to guide the Excise Tax Warehouse Keepers on how to remain compliant to the new requirements.

New taxpayers guides have been issued to ensure clarity of the new requirements, and other existing guides have been updated to reflect additional procedural steps to complete the relevant declaration forms, and comply with the new reporting obligations when submitting the Excise Tax return.

The new reporting requirements are due starting January 1st, 2021, and businesses need to ensure that they are well prepared in order to avoid any potential disruptions in their Designated Zones operations, including potential penalties or suspension of stock movement.

In detail

Significant updates have been issued with regards to the new Excise Tax stock reporting requirements for Tax Warehouse Keepers that operate Designated Zones in the UAE. The FTA has implemented the new compliance obligations by issuing a new circular, new guides and updating existing guides. The FTA also conducted a virtual workshop on December 8th, 2020, where Excise Taxpayers were briefed on some of the practical implications of the new obligations.

Key highlights of the new stock reporting requirements are summarised below:

- Excise Taxpayers that operate a Designated Zone are required to **appoint a certified external auditor** to audit the opening stock on January 1st, 2021 in each Designated Zone;
- Based on the auditor's review, the Excise Taxpayers will need to fill up the **Opening Stock Declaration (EX204)** during the month of January 2021, and attach the auditor report when submitting the declaration;
- The Opening Stock Declaration cannot be submitted before **January 1st, 2021** and cannot be submitted after **January 31st, 2021**. In case Excise Taxpayers do not submit the Opening Stock Declaration within the prescribed timeline, the stock held in the Designated Zone will be set to zero, which may restrict the Excise Taxpayers from moving the stock out of the Designated Zone. It is therefore critical to remain compliant to avoid potential disruptions in the supply chain and penalties for non-compliance;
- Once the system controls are implemented by the FTA on January 1st, 2021, the Warehouse Keeper may not be able to move their Excise Goods if they fail to submit the Opening Stock Declaration beforehand;
- A new offline declaration is available since December 4th, 2020 to report the opening stock of Excise Goods, which can help businesses understand how to complete this exercise well ahead of time;
- If a Warehouse Keeper holds stock for owners who are not registered for Excise Tax with the FTA, they (the Warehouse Keepers) will need to complete the **Non-Registered Excise Stock Movement Declaration** form (EX204A).

The new stock reporting requirements is a one-off exercise, due to be submitted during January, 2021. In order to maintain the stock reporting obligations, the FTA has issued a new declaration for Warehouse Keepers entitled EX202A - Production within a Designated Zone. This declaration is effective starting January 1st, 2021.

Beyond the above, it is to note that in the past week, the FTA has issued new guides, and updated existing guides, to reflect the new reporting requirements as specified in this News Alert, as well as reiterating existing obligations, but providing additional practical details. Please see below a link to each of the guides:

- New Guide: Excise Tax Stock Movement Guide for Warehouse Keepers who are Registered for Excise Tax:
<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/Excise-Stock-Movement-User-GuideEnglishV01-04-12-2020.pdf>
- New Guide: Excise Stock Movement Guide for Warehouse Keepers who are not Registered for Excise Tax:
<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/NonRegistered-Excise-Stock-Movement-Guide-EnglishV01-04-12-2020.pdf>
- Updated Guide: Excise Tax Return User Guide:
<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/Excise-Tax-Returns-User-GuideEnglishV50-04-12-2020.pdf>
- Updated Guide: Excise Tax Clearing Company User Guide Imports, Release & Consumption:
<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/TINCE-Imports-and-Consumption-User-GuideEnglishV22-04-12-2020.pdf>
- Updated Guide: Excise Tax Importer Guide (Registered And Non-registered):
<https://www.tax.gov.ae/-/media/Files/EN/PDF/Guides/Excise-Tax-Importers-Registered-Nonregistered-User-GuideEnglishV50-04-12-2020.pdf>

The Excise Tax Return User Guide has been updated to reflect the processes of submitting the new declaration forms, including EX202A: Designated Zone Reporting - Production within a Designated Zone. Other guides, such as the Excise Tax Importer Guide and Excise Tax Clearing Company User Guide: Imports, Release & Consumption, have been updated to reflect new information about existing processes, and providing additional and more clear procedural steps to ensure full compliance from the impacted businesses.

The takeaway

With January 1st, 2021 fast approaching, the Excise Taxable Persons need to ensure the stock reporting requirements are fulfilled on time, and should involve external auditors at the earliest to remain compliant with the FTA requirements.

The new opening stock reporting requirements shall be completed by the Tax Warehousekeepers at the beginning of the year, while the new production declaration form is expected to be an ongoing obligation. Any omission may lead to significant disruptions, including inability to move the stock in the Designated Zones and potential penalties for non-compliance.

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Let's talk

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

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