



Tax Alert on UAE Excise Tax Law Amendments



UAE Excise Tax Law: Key Amendments under Federal Decree-Law No. 7 of 2017 and its 2022 & 2025 Amendments

Effective dates: 1 October 2017, 14 October 2022, 1 October 2025, and 1 January 2026

The UAE has introduced several important amendments to the Excise Tax framework through **Federal Decree-Law No. 19 of 2022**, **Federal Decree-Law No. 7 of 2025**, and **Federal Decree-Law No. 17 of 2025**. These modifications refine the rules relating to excise goods, tax rates, designated zones, tax registration, refunds, penalties, and enforcement.

The cumulative updates bring the Excise Tax Law into closer alignment with modern tax administration standards and strengthen the control framework around excise activities, especially for tobacco, sweetened beverages, energy drinks, electronic smoking devices, and other excise goods.

This alert summarises the key amendments and their practical implications for businesses operating in the UAE.

1. Expanded Definitions and Clarifications

Several definitions have been updated or clarified, including Excise Goods, Designated Zone, Warehouse Keeper, Stockpiler, Tax Audit, Voluntary Disclosure, and key compliance terms.

Key Definition Updates

Term	Updated Definition / Change
Designated Zone	Now includes fenced free zones supervised by Warehouse Keepers, with controls set in Executive Regulations.
Warehouse Keeper	Must be registered and approved by FTA to supervise Designated Zones.
Stockpiler	Any person owning excise goods who cannot prove that tax was previously paid, subject to conditions.
Voluntary Disclosure	Updated to align with the amended Tax Procedures Law.
Tax Evasion	Expanded scope, referencing the updated provisions under the Tax Procedures Law.

These updates enhance enforceability and clarity when determining tax responsibilities.

2. Scope of Excise Tax & Tax Triggers

Excise Tax continues to apply to production, import, release from a Designated Zone, and stockpiling of excise goods.

Excise Tax Triggers Overview

Taxable Activity	Description
Production	Excise Goods produced in UAE for business purposes
Import	Goods entering UAE territory
Release from Designated Zone	Goods leaving a designated warehouse area
Stockpiling	Holding excise goods not proven tax-paid

The amendments reinforce that excise applies even when goods are stockpiled for business purposes.

3. Updated Tax Calculation Framework

The 2025 amendments (Federal Decree-Law No. 7 of 2025) introduce flexibility for imposing excise tax through **ad valorem** or **specific amounts**.

Excise Tax Rate Structure

Type	Updated Rule
Percentage-based Rate	May be imposed up to 200% of the Excise Price
Specific Amount per Unit	Up to AED 100 per unit
Excise Price Calculation	Basis and methodology to be defined in Executive Regulations

This increases the ability of policymakers to adjust tax rates in response to public health needs and market trends.

4. Tax Obligations & Liabilities

The amendments clarify who is responsible for excise tax and in what situations liability shifts.

Taxpayer Responsibilities

Category	Liable Person
Producer / Importer	Always liable for excise tax
Failure by liable person	A third party involved may become liable
Release from Designated Zone	Warehouse Keeper becomes liable if tax not previously paid
Exempt Imports	Small-value personal imports exempt, subject to customs thresholds

These provisions ensure shared responsibility within the supply chain and strengthen enforcement.

5. Excise Tax Registration & Deregistration

Major procedural updates streamline registration obligations.

Registration Requirements

Rule	Amendment
Registration before conducting taxable activities	Strictly required – no production/import without registration
Registration for third-party liability	Must register within 30 days of knowing the primary taxpayer failed to pay
Deregistration	Mandatory when no longer subject to excise activities

The 2022 & 2025 amendments tighten registration controls and ensure earlier detection of non-compliance.

6. Designated Zones – Expanded Controls

- ✓ Designated Zones continue to play a central role in excise administration. The amendments reinforce:
- ✓ Treatment of qualifying Designated Zones as “outside the State” for excise purposes
- ✓ Exception rules where activities inside the zone are still considered “in the State”
- ✓ Procedures for movement between zones

Designated Zone Controls

Area	Updated Guidance
Transfer of Excise Goods	Allowed between Designated Zones without tax
FTA Supervision	Enhanced monitoring of storage, processing, and movement
Warehouse Keeper Role	Must ensure compliance with defined controls

This strengthens the integrity of excise deferral mechanisms.

7. Deductible Tax & Tax Periods

The 2025 amendment updates deductibility rules.

Deductible Excise Tax Categories

Category	Deductibility Allowed?
Exported Excise Goods	✓ Yes
Excise Goods used to produce another excise good	✓ Yes
Unsold goods where the tax rate is reduced	✓ Yes (difference only)
Other FTA-approved cases	✓ Yes

This ensures fairness when excise goods move through complex supply chains.

8. Excess Refundable Tax & Refund Claims

Important revisions were made to refund eligibility under Article 20 and Article 21.

Refund of Excess Tax

Situation	Rule
Deductible tax > Due tax	Excess carried forward
Tax paid > Payable tax	Excess carried forward
Remaining excess after periods	Refund application permitted

Special Refund Cases

Category	Eligible?
Foreign governments & diplomatic missions	✓ Subject to reciprocity
Implementing GCC States	✓ Subject to conditions
Other categories	✓ If approved by Cabinet

9. Administrative Penalties & Tax Evasion Provisions

Significant updates were made to enforcement, particularly under Articles 22 & 23.

Administrative Penalties

FTA must issue and notify an Administrative Penalty Assessment within 5 business days of issuance.

Key violations include:

- ✓ Failure to display excise-inclusive prices
- ✓ Non-compliance with transfer rules for Designated Zones
- ✓ Failure to provide required price lists of excise goods

Tax Evasion Instances

Action	Considered Tax Evasion?
Bringing goods in/out without paying tax	✓ Yes
Handling unpaid excise goods	✓ Yes
Placing false markers	✓ Yes
Submitting false documents	✓ Yes

These align closely with the strengthened provisions under the amended Tax Procedures Law.

10. Record-Keeping Requirements

Businesses dealing with excise goods must maintain extensive documentation.

Mandatory Excise Records

Record Type	Required?
Production, import & stockpiling records	✓ Yes
Export records & proof	✓ Yes
Stock levels with loss/damage details	✓ Yes
Detailed excise tax record	✓ Yes
Retention period	As per Executive Regulation

Failure to maintain proper records may result in penalties or tax re-assessments.

11. Final Provisions

Key general and administrative provisions include:

- ✓ Excise Revenue sharing between Federal & Emirate Governments
- ✓ Tax Procedures Law applies where the Excise Law is silent
- ✓ Executive Regulations will provide detailed controls
- ✓ Conflicting provisions are repealed
- ✓ Effective dates vary by amendment year

ACQUISORY COMMENT


The combined 2017, 2022, and 2025 amendments substantially refine the UAE Excise Tax framework. These changes:

- ✓ Strengthen the compliance and control environment
- ✓ Enhance transparency and enforceability
- ✓ Increase clarity for businesses in designated zones
- ✓ Support alignment with broader GCC excise practices

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