

Indirect Tax Alert

October 14, 2022

Amendments to Excise Tax Law



Introduction

The UAE Government has recently made amendments¹ to the Excise Tax Law².

The amendment includes minor changes in the existing Articles of the Law and the insertion of a new Article on the statute of limitation.

The amendments will be effective from 14 October 2022.

To explain the changes, the FTA has issued Public Clarification EXTP009.

In this alert, we are pleased summarise the key amendments.

Dhruva Comments



Statute of Limitation (SOL)

As per the Tax Procedures Law, the SOL states that the FTA cannot issue a tax assessment decision after the expiry of five years from the end of the relevant tax period.

The above provision arguably meant that the FTA had to complete the audit and issue tax assessment decision before the five-year expiry.

With the new Article on SOL in Excise Tax Law, the FTA can now issue only a notice before the five-year expiry, and then it can conduct an audit and issue a tax assessment decision within another four years from the date of the notice.

The above change will grant the FTA more time to complete the audit.

Excise taxpayers who are yet to be audited may receive notice before the five-year expiry, and those under audit may have prolonged audit inquiries.

¹ Federal Decree-Law No. 19 of 2022

² Federal Decree-Law No. 07 of 2017 on Excise Tax

Key Amendments

1

Exception from Excise Registration

- » A person is not allowed to import excise goods unless registered. As an exception the FTA may except a person from registration if it will not regularly import excise goods
- » A person importing excise goods for purpose other than conducting business, will be excepted from registration

2

Amount received as Excise Tax

- » Any amount(s) collected, or reflected on an invoice as Excise Tax, is deemed to be Excise Tax and payable to the FTA
- » For example, if a person collects excise tax on non-excisable goods will have to deposit tax to the FTA

3

Statue of Limitation

- » General rule – the FTA cannot conduct audit or issue assessment after 5 years from end of relevant tax period
- » Exception to general rule:
 - › If audit notice is issued before expiry of 5 years, the FTA can complete the audit within 4 years from the date of notice
 - › If audit relates to voluntary disclosure submitted in 5th year, the FTA can complete the audit within 1 year from date of submission
 - › Case involving tax evasion, the FTA can conduct audit within 15 years from the end of relevant tax period
 - › If a taxable person failed to register for excise tax, the FTA can conduct audit within 15 years from the date the taxpayer should have registered
- » Voluntary disclosure cannot be filed after expiry of five years from the end of the relevant tax period
- » The Cabinet will have powers to amend statue of limitation in certain cases. In all cases, limitation will be interrupted where reasons stipulated in the Civil Transactions Law occur

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