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Tax Alert

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Amendments to Excise Regulations and Transitional Excise Provisions

Introduction

The recent amendments to the Excise Tax Regulations, published in the *Umm Al-Qura* Journal on 29 December 2025, substantially enhance the Authority's control over excise valuation, classification, computation, compliance, and enforcement. The regime has shifted decisively from a predominantly value-based and procedural framework to an Authority-led, technical, and substance-driven model, significantly increasing audit, reassessment, and penalty exposure for importers, producers, and any other persons releasing excise goods for consumption in the Kingdom

Key Highlights

1. Tax Base & Valuation

The excise tax base is now the highest of:

a) Retail price declared by any person releasing goods for consumption

b) Authority-determined reference retail selling price (RRSP)

c) GCC standard price

Retail selling price is now clearly defined in law as the final price paid by the consumer, including all taxes, duties, fees, and charges. This removes flexibility around estimated or recommended prices and anchors excise tax to the actual consumer-facing price. In addition, a Reference Retail Selling Price (RRSP) has been introduced, primarily for concentrates, powders, extracts, and similar products where a direct retail price may not be available. Where the declared retail price is unclear, delayed, or considered unreliable, the Authority may apply its own benchmark price for excise tax purposes.

2. Product Scope & Classification

Carbonated beverages are no longer a separate excise category; they are taxed only if they meet the sweetened beverage definition. Sweetened beverages are now taxed under a tiered model based on total sugar content, including natural and added sugars. The Authority shall determine the scope and definitions of excise goods, in accordance with Ministerial Committee decisions.

3. Computation Methodology

Excise calculation is no longer uniform. Post the amendments, excise is now determined on a product-specific basis. Most excise goods are taxed according to their individual classification; sweetened beverages are subject to a tiered, volume-based excise regime linked to sugar content per litre; and concentrates, syrups, and similar products are taxed based on the final volume of the beverage after dilution. Where dilution ratios are unclear, the Authority may determine the applicable methodology.

4. Registration, Disclosure & Ongoing Monitoring

Importers, producers, and any other persons releasing excise goods must register the goods with the Authority before release, providing complete and accurate tax-relevant information. Any changes must be reported immediately, and no later than the next release. If information is incorrect, incomplete, or unclear, the Authority may require verification or accredited testing, amend the registration, or apply the highest excise tax rate by default until verified. Taxpayers retain the right to object under the Excise Tax Law.

5. **Authority Powers – Assessment, Reassessment & Penalties**

   Import clearance does not imply Authority approval, and the compliance focus shifts from tax paid to tax declared, allowing action on under-declaration even where tax was paid as filed. The Authority may assess or reassess excise tax based on import declarations, returns, or any Authority-prescribed forms.

   Filing and payment timelines have been revised. Previously due within 15 days from the end of the tax period, excise returns and payments are now due by the end of the month following the tax period. Late payment penalties apply from the day after the revised deadline, with full accountability on the authorized person.

   In addition, the regulations replace "registered person" with "authorized person". Under the amended regulation, where a tax period ends with no excise goods released for consumption and does not exceed one month, the Authority may, at its discretion, allow that period to be combined with the subsequent tax period for filing and administrative convenience only

6. **Deductions & Refunds**

   Deductions are now restricted to excise tax incurred on goods that are exported or released for consumption, and must be supported by robust documentary evidence, including stock and transaction records. A 24-month time limit has been introduced, for claiming deduction of excise tax on raw materials used to make other excise goods, from the date such raw materials were released in Saudi Arabia. No deduction is allowed where excise goods are used to produce non-taxable goods or where the goods fall outside the scope of excise. Refunds are permitted only where the refund amount exceeds SAR 3,000, and the application is submitted within the prescribed timelines.

   Transitional provisions - Persons holding excise goods at the effective date are required to declare and settle any additional excise tax through a single transitional return within 45 days from the effective date. This obligation applies to excise goods that are not under suspension, are not government-owned, and are deemed to be held for commercial purposes, being goods with a tax base exceeding SAR 60,000 or, in cases of an excise rate or tax base increase, goods resulting in additional excise tax exceeding SAR 20,000.

A specific refund mechanism is introduced in the recent amendments and applies where excise tax rates are reduced by law or regulation. Refunds are available only if

a) The goods remain unsold at the time of filing refund application;
b) The tax reduction is passed on to consumers through a lower retail selling price; and
c) The refund application is filed within 90 days from the effective date of the reduction.

Dhruva comments:

The recent amendments should be viewed as a natural extension of the tiered, volume-based excise framework, particularly for sweetened beverages. The regime has shifted decisively from value-based taxation and procedural compliance to a technical, composition-driven, and volume-linked excise system, with enhanced Authority discretion over valuation, computation, and the timing of tax liability.

Unlike the UAE, where laboratory reports and stock audits are mandatory as part of transitional compliance, these requirements are not prescribed as mandatory in KSA, and the onus is basically on the taxpayer to substantiate compliance in KSA. Nevertheless, the Authority may request laboratory reports, supporting documentation, or conduct stock verification on a case-by-case basis. Accordingly, businesses should ensure early readiness of systems, data, and documentation to support a smooth and compliant transition.

Dhruva Consultants achieved ITR World Tax Ranking 2026:

- Tier 1 – Indirect Tax
- Tier 2 – General Corporate Tax, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy

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