

Tax Alert

April 14, 2026

FTA Decision No. 1 of 2026 and Public Clarification EXTP014:

Amendments to the Reporting of Natural Shortages of Excise Goods in Designated Zones

Introduction

On 16 March 2026, The Federal Tax Authority ("FTA") released **Excise Tax Public Clarification EXTP014**, replacing the earlier Public Clarification *EXTP011*, providing additional guidance on the treatment and reporting of natural shortages of Excise Goods in Excise Designated Zones ("DZ"). This Clarification has been released considering the structural amendments on the timelines and reporting requirements of such shortages, through the release of **FTA Decision No. 1 of 2026**, in January 2026.

Background

On 23 June 2025, the FTA issued Decision No. 6 of 2025, establishing a framework to address natural shortages of excise goods (e.g., evaporation or moisture loss) within a DZ, including procedures, documentation, and certification requirements. This was issued under the provisions of the Executive Regulation, which allows such natural shortages to be excluded from being treated as a release for consumption for Excise Tax purposes, subject to conditions prescribed by the FTA.

Subsequently, on 29 January 2026, the FTA issued Decision No. 1 of 2026, amending certain provisions of the original framework, which will be discussed in this alert.

Key Change Area	FTA Decision 6 of 2025 (Old Decision)	FTA Decision 1 of 2026 (Amended Decision)	Our Analysis
Period of Declaration for Natural Shortages. (Clause 7 of Article 2)	Initially, taxpayers were permitted to submit such a declaration for multiple tax periods; however, the total duration covered by the declaration was limited to a maximum of six (6) months .	The permissible period for submitting such Declarations has now been extended from six (6) months to one (1) year .	<p>The amendment is largely operational in nature, providing taxpayers with an extended timeframe to rely on the approved natural shortage percentage, without the need to refresh or realign declarations during the year.</p> <p>Further, the reporting period is now aligned with the validity of the ICE report, ensuring greater consistency in application.</p> <p>However, taxpayers must continue to ensure that the declared percentage does not exceed the approved limits and are required to notify the authorities of any changes in production or storage conditions that may impact the shortage levels.</p>

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<p>Renewal of ICE-Certified Reports.</p> <p>(Clause 8 of Article 2)</p>	<p>Initially, the ICE report was valid for a period of one (1) year from the date of issuance, and taxpayers were required to obtain a new report upon expiry.</p> <p>However, no specific timeline was prescribed for initiating the renewal process, nor was there clarity on the continuity of validity between the existing and renewed ICE reports.</p>	<p>While the ICE report continues to remain valid for a period of one (1) year, taxpayers are now required to apply for renewal within 30 business days from the expiry of the previous report.</p> <p>Where this timeline is adhered to, continuity is preserved, and the renewed report becomes effective from the day immediately following the expiry of the earlier report. In cases of delayed application, the renewed report is effective only from the date of issuance, potentially resulting in a gap period.</p>	<p>The amendment introduces clarity on renewal timelines and ensures continuity where taxpayers apply within the prescribed period. However, any delay may result in a gap during which no approved percentage is available, potentially exposing shortages to taxation.</p> <p>Accordingly, taxpayers should seek to avoid such gaps through timely renewal. Where this is not feasible, a conservative approach should be adopted, supported by adequate documentation.</p>
<p>Transitional Provisions.</p> <p>(Article 5)</p>	<p>Under the earlier provision, any ICE report issued within six (6) months from the effective date of the Decision (i.e., up to 31 December 2025) was deemed to be valid from 1 July 2025 and remained valid for a period of one (1) year, i.e., until 30 June 2026.</p> <p>For example:</p> <ul style="list-style-type: none"> • Effective date of FTA Decision: 1 July 2025 • ICE report issued on: 1 October 2025 • Deemed validity from: 1 July 2025 • Valid until: 30 June 2026 <p>Accordingly, the overall validity was effectively capped at one (1) year from the effective date.</p>	<p>Under the revised provision, any ICE report issued within twelve (12) months from the effective date of the Decision (i.e., up to 30 June 2026) is deemed to be valid from 1 July 2025 until 30 June 2027, provided the application for issuance was submitted on or before 31 March 2026.</p> <p>For example:</p> <ul style="list-style-type: none"> • Effective date of FTA Decision: 1 July 2025 • Application submitted on or before: 31 March 2026 • ICE report issued on: 15 June 2026 • Deemed validity from: 1 July 2025 • Valid until: 30 June 2027 <p>Accordingly, the revised provision effectively extends the benefit period to nearly two (2) years from the effective date, subject to taxpayers who have already submitted the applications to ICE on or before 31 March 2026.</p>	<p>The amendment extends the transitional relief by expanding the eligibility window and providing a longer validity period for qualifying reports. This enhances certainty for taxpayers and reduces the need for immediate renewals during the transition phase.</p> <p>However, the availability of this benefit remains conditional upon timely application, reflecting a continued emphasis on procedure compliance.</p>



The Road Ahead: What Businesses Must Do Now

- **Monitor the transitional deadline:** Applications for ICE inspections must have been submitted no later than 31 March 2026, to benefit from the transitional validity provisions.
- **Maintain Supporting Documentation:** Businesses should ensure that sufficient operational data on production and storage shortages for a period of at least 6 months is available to facilitate ICE's inspection process.
- **Strengthen Stock Monitoring Systems:** Businesses should maintain robust operational records of production, storage, and handling losses, supported by appropriate stock reconciliation procedures, to substantiate natural shortages reported to the FTA.
- **Review Internal Compliance Procedures:** Internal compliance frameworks and standard operating procedures should reflect the regulatory requirement to notify the ICE within 20 business days of any changes affecting production processes or storage conditions.

This Tax Alert is intended to provide a general overview of recent tax developments and does not constitute tax, legal, or financial advice. It is a high-level summary and may not address all aspects or implications relevant to your specific situation. Readers are strongly advised to consult with their tax advisor or a qualified professional to assess the impact of these changes on their individual or business circumstances.



Ranking 2026:

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

UAE CONTACTS

NIMISH GOEL

Leader, Middle East
nimish.goel@dhruvaadvisors.com
Tel (UAE): +971 50 106 6531
Tel (KSA): +966 54 760 1600

GEET SHAH

Partner
geet.shah@dhruvaadvisors.com
Tel: +971 50 106 9034

KAPIL BHATNAGAR

Partner
kapil.bhatnagar@dhruvaadvisors.com
Tel: + 971 50 868 36207

RAKESH JAIN

Partner
rakesh.jain@dhruvaadvisors.com
Tel: +971 50 135 2319

SANDEEP KUMAR

Partner
sandeep.kumar@dhruvaadvisors.com
Tel: +971 50 504 8787

UJJWAL KUMAR PAWRA

Partner
ujjwal.pawra@dhruvaadvisors.com
Tel: +971 50 199 3363

VLAD SKIBUNOV

Partner
vlad.skibunov@dhruvaadvisors.com
Tel: + 971 54 404 0510

FRAN WILHELM

Associate Partner
fran.wilhelm@dhruvaadvisors.com
Tel: +971 58 152 8008

SHIRAZ SALEEMI

Associate Partner
shiraz.saleemi@dhruvaadvisors.com
Tel: +971 50 660 2520

KSA CONTACTS

MANISH BANSAL

Associate Partner
manish.bansal@dhruvaadvisors.com
Tel: +966 54 645 0681

GOPAL AGARWAL

Director
gopal.agarwal@dhruvaadvisors.com
Tel: +966 54 806 9633

GAURAV SHIVHARE

Director
gaurav.shivhare@dhruvaadvisors.com
Tel: +971 56 403 0888

AVANI SHAH

Manager
avani.shah@dhruvaadvisors.com
Tel: +971 58 878 0569

ROSH REGI ZACHARIAH

Assistant Manager
rosh.zachariah@dhruvaadvisors.com
Tel: +971 56 248 5023

DHRUVA CONSULTANTS

Dubai

207, Emaar Square, Building 4,
PO Box 127165, Dubai, UAE
Tel: + 971-4240-8477

Abu Dhabi

1905, Addax Tower City of Lights,
Al Reem Island, Abu Dhabi, UAE
Tel : +971-2678-0054

Saudi Arabia

308, 7775 King Fahd Road, Al
Olaya, 2970, Riyadh 12212,
Saudi Arabia

DHRUVA ADVISORS

Mumbai | Ahmedabad | Bengaluru | Delhi/NCR | GIFT City | Kolkata | Pune

DHRUVA ADVISORS PTE. LTD.

Singapore

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