



Excise Tax Alert



The Government of Saudi Arabia has confirmed that Excise Tax will be implemented from the 10th June 2017, and businesses will be required to account for any tax on products from this day forward. Businesses will be given a 45 day period to comply with the legislation and regulations.

Excise tax will be levied on the production, the importation and the possession of carbonated drinks, energy drinks and tobacco products at a rate of **50%, 100% and 100% respectively**.



Excise Registration

Businesses involved in any of the below activities will be required to register for excise tax. Registration is available via the ERAD system.

- Importing selective items
- Producing selective items
- Possessing selective items under a situation where it is subject to excise tax.

In addition, importers and producers of such items will now be required to obtain a trading license from the General Authority of Tax and Zakat ("GAZT").

Failure to register for the tax will result in a minimum penalty of **5%**.



Taxable Warehouses

Registered entities will be allowed to set up taxable warehouses to store the selective items, allowing them not to pay the Tax in advance. Upon the sale of these items, the seller will be liable to account for the Tax and then pass it to the Authority. Therefore, registered entities will be in a position to defer tax payments to a future point in time, thus allowing them to manage their cash flows efficiently.

Importers should register for the excise tax, however they can obtain permission from the Authority not to file excise tax returns. In this case, excise tax will be paid at

Customs, with the consequence that the use of taxable warehouses will be unnecessary.



Businesses who are involved with providing selective goods to consumers need to ensure that they are ready for the implementation of the excise tax system. It is important to note that the Tax will apply on all future purchases and manufactured products along with any **existing stocked inventory**.

Saudi businesses who are affected by this Tax should initiate an excise tax impact assessment immediately in order to determine the impact of it across all their operations.

This assessment should consider the excise tax impact on the following key areas:

- Finance and accounting
- IT and systems
- Tax and compliance
- Supply chain – goods and services
- Contracts
- Sales and marketing
- Legal structure

KPMG can assist and help your business evaluate the potential impact this change will bring, and develop a clear plan as to the steps that must be taken to be ready for excise tax by the go-live date on June 10, 2016.

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