

Excise Tax Public Clarification: Warehouse Keeper & Designated Zones

EXTP010 - Excise Tax Public Clarification (Warehouse Keeper & Designated Zones)

The Federal Tax Authority (FTA) has issued Excise Tax Public Clarification (EXTP010) replacing the Public Clarification **EXP005**, effective from 1 April 2023.

This Clarification provides details on the conditions and criteria to **register as a warehouse keeper** and to **register or renew the registration of a designated zone**.

Below are the changes from the Old Public clarification relating to:

“Renewal of the Designated Zone’s Registration”

- Submission period for Renewal Form prior expiration date.

Before	Now
30 Business days	20 Business days

“Financial Guarantee”:

- Submission period of Financial Guarantee.

Before	Now
20 Business days	40 Business days

- Financial Guarantee may be adjusted prior to registration or renewal of registration. (Change in Average Month-end Stock) and an updated Financial Guarantee must be provided within 40 business days.

Failure to submit the Renewal application / Updated Financial guarantee within time limit provided will lead to the registration status becoming “Suspended” for 20 Business days.

Failure to submit within the suspension period will lead to expiration of the Designated Zone.

Apart from the changes from the old clarification, the FTA has clarified various aspects in the New Clarification discussed below.

Key highlights of the clarification:

Warehouse Keeper

Any person who operates or intends to operate a designated zone for Excise Tax purposes must **firstly** register as a warehouse keeper and submit a designated zone application in respect of each designated zone he supervises or intends to supervise.

Every Warehouse Keeper must follow the below process for their respective designated zones:

- Reviewing the registration expiry dates.
- Renewal form submission and Renewal fee payment.
- Reviewing the value and type of excise goods for FTA to review the current financial guarantee and see if any updates are required.

Failure to follow the process and renew the registration, all goods held in the designated zone at expiration date will be considered “**Released for Consumption**” and Excise tax will be payable on them immediately.

Designated Zone’s registration or renewal of registration application

Certain requirements must be met by the Warehouse Keeper in the application to determine their eligibility and to avoid rejection or suspension of a Designated Zone registration renewal or new registration.

Requirements:

1. Specifying the categories of excise goods that are or will be stored in the designated zone.
2. Specify the quantity of excise goods in the designated zone.
 - Average month-end stock of excise goods in the Designated Zone for a 12-month period must be provided to FTA.
 - For Renewal Applicants, it would be 12 months prior to the application date based on Actual month-end stock.
 - For New Applicants, it would be the upcoming 12 months based on forecasted/expected month-end stock.
 - Average month-end stock must be monitored for 6 months following renewal/registration, if there is increase over 20% of the originally reported month-end stock, if so then FTA must be notified where they will update the financial guarantee to higher amount.
3. Proof that sufficient physical security measures are in place.

Security Criteria:

- Sufficient storage area for month-end average stock of excise goods
- Doors are of solid material with an appropriate locking system and all exit/entry and monitored.
- Premises are guarded with barriers to avoid unauthorized access.
- The warehouse is guarded by trained security and their detail log is available with the warehouse keeper.
- CCTV surveillance capable of real time recording, night vision, 60 days data storage etc.
- Details of all authorized personnels and visitors.
- Compliance with the relevant authority to prove warehouse building is fit for operations.

All the above criteria must be proven with evidence and provided to FTA by the applicant to gain approval for registration.

4. Proof that the warehouse keeper maintains a stock and record management system

The Warehouse keeper must implement a stock record system which provides an audit trail of all excise goods entering and exiting the designated zone.

The system should provide insight on data such as:

- Stock levels at any given time
- Value and quantity of excise goods produced, entering, and leaving the designated zone along with transfers either for export or to another designated zone.

The FTA will assess evidence provided on security measures and stock record management systems by the warehouse keeper if requirements are being met.

If the requirements are not met, the applicant will be notified to resolve and make changes within **20 business days**, failure to make changes will lead to either two:

- The Rejection for the request for renewal or new registration of Designated Zone by FTA.
- The registration status to be declared “Suspended” for another 20 business days along with penalties in case of FTA inspection after registration.

[Click here to read the detailed guide.](#)

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