

UAE – Public clarification on Excise Tax Designated Zones – Calculation of Financial Guarantee

The Federal Tax Authority has published a public clarification to provide guidance on how financial guarantees in respect of Excise Tax Designated Zones (DZ) are calculated. This clarification is effective from 1st September 2022.

The key highlights of this public clarification are as follows:

- From 1 September 2022, financial guarantees will be determined using a different risk-based approach that considers certain variables. From this approach, it is considered that the Warehouse keepers with good compliance history would get the benefit of a lower financial guarantee.
- The amount of the financial guarantee in respect of each Excise Tax Designated Zone shall be calculated as follows:

Step 1 - Calculate the Guarantee Base based on the Excise Tax due on the average month-end stock over a period of twelve months. For the new designated zone registration, it is required to calculate average month-end stock on forecast basis. And for renewal of DZ registration, calculation is based on preceding 12 months basis.

Step 2 - The FTA will determine the applicable financial guarantee by applying a relevant percentage to the Guarantee Base. A preliminary financial guarantee percentage is determined based on:

- Residence Status of applicant
- Compliance History of relevant person
- Financial status warehouse keeper
- Number of years of operation

In some instances, the preliminary financial guarantee percentage determined may be overridden by a specified guarantee percentage.

Step 3 - The rate determined in Step 2 will be applied to the Guarantee Base calculated in Step 1 to calculate the preliminary financial guarantee amount.

Step 4 - The minimum financial guarantee amount is AED 175,000.

The required financial guarantee amount shall be capped at AED 25 million which is subject to certain conditions and If any of those are not met, the upper limit of AED 25 million shall not apply.