



Excise tax on sweetened beverages in Saudi Arabia

December 2019



The Kingdom of Saudi Arabia has amended the Excise Tax Law to include sweetened beverages as products that will be subject to a 50% excise levy. The excise tax on sugar sweetened beverages came into effect on 1 December 2019.

KPMG in Saudi Arabia is able to support the businesses with preparation for implementation of the tax as well as ongoing compliance with the excise rules in the Kingdom.

Definition of sugar sweetened beverages:

A sweetened beverage is defined in the General Authority for Zakat and Tax ("GAZT") guideline to be any product containing any type of sugar or other sweeteners produced for the purposes of drinking as a beverage whether ready for drinking, or as concentrates, powders, gel extracts or any form that can be converted into a drink except the below:

- 100% natural juices from fruit or vegetables, which do not contain added sugar or other sweeteners including fresh 100% fruit and vegetable juice, mashed fruit or dried fruit juice, fruit juice powder, a drink made from fruit juice or vegetable juice that does not contain any form of sugar or other sweeteners, and drinks processed by mixing liquids.
- Milk and dairy products, which includes a drink with at least 75% milk content ready to drink, a drink containing at least 75% milk substitutes made from vegetable sources such as soy syrup, industrial production infant milk or infant foods, food manufactured as a dietary alternative or diet food used for special medical purposes

According to the same guide, the beverage is classified as an alternative to milk if all of the following conditions are met:

- Contains at least 120 mg of calcium per 100 ml of drink;
- Is an extract from legumes, grain, nuts, seeds or any other plant;
- It can be used as a substitute in all or most types of milk use;
- It has a density similar to milk; and
- Does not contain any gas components.

However, as the definition is quite wide and generic, there are some issues faced by the industry on the classification of the products for the excise tax purposes.

KPMG in Saudi Arabia can help you to present your specific case to the GAZT and provide support in obtaining clarity regarding application of excise tax to these goods.

Transitional provisions for goods owned at the date of the tax going live

If the entity (including a trader of excisable goods) has a stock of goods which will be subject to excise tax and the value of such goods exceeds SAR 60,000 as on the go-live date (i.e. 1 December 2019), the excise tax will be due on these goods by such entity.

The persons who own such goods will be obliged to calculate the tax due, declare it using the transitional declaration process and pay the tax to the state before 14 January 2020.

KPMG in Saudi Arabia can assist you with the excise tax registration and the preparation and submission of the transitional declaration to GAZT.

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