

This is not an official Translation:

Standards, Controls and Procedures for Dealing with Shortage Within the Designated Zone due to the Natural Characteristics of Excise Goods

Federal Tax Authority Decision No. 6 of 2025 – Issued 17 Jun 2025 (Effective from 1 Jul 2025)

Federal Tax Authority Decision No. 1 of 2026 – Issued 27 Jan 2026 (Effective from 27 Jan 2026)

The Chairman of the Board of Directors of the Federal Tax Authority has decided:

- Having reviewed the Constitution,
- Federal Decree-Law No. 13 of 2016 on the Establishment of the Federal Tax Authority, and its amendments,
- Federal Decree-Law No. 7 of 2017 on Excise Tax, and its amendments,
- Cabinet Decision No. 37 of 2017 on the Executive Regulation of the Federal Decree-Law No. 7 of 2017 on Excise Tax, and its amendments,
- Cabinet Decision No. 52 of 2019 on Excise Goods, Excise Tax Rates and the Methods of Calculating the Excise Price,
- Cabinet Decision No. 197 of 2025 on Excise Goods, Tax Rates or Amounts Imposed on Excise Goods, and the Methods of Calculating the Excise Price,
- Decision of the Chairman of the Board of Directors No. 9 of 2021 on the Delegation to the Vice Chairman of the Board of Directors of the Federal Tax Authority,
- Pursuant to the approval of the Board of Directors of the Authority's Memo on the Standards, Controls and Procedures for Dealing with Shortage Within the Designated Zone due to the Natural Characteristics of Excise Goods, in its 38th meeting held on 29 April 2025, and
- Pursuant to the approval of the Board of Directors of the Authority's Memo on amending Federal Tax Authority Decision No. 6 of 2025 on the Standards, Controls and Procedures for Dealing with Shortage Within the Designated Zone due to the Natural Characteristics of Excise Goods dated 20 January 2026.



Article 1 – Definitions

The following words and expressions shall have the meaning assigned against each, unless the context otherwise requires:

Authority : Federal Tax Authority.

Excise Goods : Goods subject to Excise Tax in accordance with Cabinet Decision No. 52 of 2019 referred to above, or any other Cabinet Decision replacing it.¹

Natural Shortage : A shortage in the quantity of Excise Goods during the production, storage, or transportation of Excise Goods within the Designated Zone, which is beyond the control of the Taxable Person due to the nature of the Goods themselves and not for any other reason, making it impossible to release the Excise Goods for consumption.

Independent Competent Entity : Laboratories approved by the Authority to which Warehouse Keepers and Taxable Persons subject to Excise Tax may submit a request to determine the permissible percentage of Natural Shortage.

Report : A Report issued by the Independent Competent Entity that includes the Excise Goods as well as permissible, expected or actual percentage of Natural Shortage for each Excise Good.

Declaration : The Declaration submitted by the Warehouse Keeper or the Taxable Person subject to Excise Tax via the Authority's system, which includes the Natural Shortage.

Article 2 – Standards and Controls for Dealing with the Natural Shortage

¹ Definition amended as per Federal Tax Authority Decision No.1 of 2026.

Warehouse Keepers and Taxable Persons subject to Excise Tax shall submit a request to the Independent Competent Entity to determine the permissible or expected percentage of the Natural Shortage, in accordance with the following standards and controls:

1. The permissible percentage of the Natural Shortage should be determined for each Warehouse Keeper or Taxable Person at the level of each Excise Good within the Designated Zone.
2. For documentation purposes, every Warehouse Keeper or Taxable Person subject to Excise Tax must obtain and retain the Report that includes all Excise Goods in which Natural Shortage may occur.
3. The Warehouse Keeper or Taxable Persons subject to Excise Tax shall submit a request to the Independent Competent Entity to inspect the production and storage process of the Excise Goods, determine the percentage of the Natural Shortage based on the inspection and on actual data covering a period of no less than six previous months, through field visits conducted by the Independent Competent Entity to the applicants' warehouses or factories, and issue the Report for the first time.
4. Where the factory or the production line is established or the product is developed for a period less than (6) six months, the percentage of the Natural Shortage shall be determined based on the inspection and any actual data if available.
5. The Warehouse Keeper or the Taxable Person subject to Excise Tax shall inform the Independent Competent Entity of any changes that may lead to a change in the percentage of the Natural Shortage, including changes in the production line or storage conditions, within (20) twenty business days from the date the percentage of the Natural Shortage has changed, in order for a new Report to be issued on the percentage of the Natural Shortage affected by the change.
6. The Warehouse Keeper or the Taxable Person subject to Excise Tax shall retain the documents proving the Natural Shortage and submit them to the Authority upon submitting the Declaration. These documents shall include, inter-alia, the following:
 - a. A detailed explanation of the manufacturing process, detailing the stages in which a Natural Shortage of goods may occur.



- b. A production formula that includes the expected shortage and deficiency (natural or non-natural).
- c. The expected percentage of Natural Shortage normally incurred by the applicant, accompanied with supporting documents for previous periods.
- d. Manufacturing equipment data and its operating manuals.
- e. The Report and any actual data for a period of no less than (6) six prior months (if any).

7. The percentage of Natural Shortage stated in the Declaration must not exceed the percentage stated in the valid Report for that period. The Declaration with a percentage not exceeding this percentage may be submitted for more than one Tax Period, provided that it is not submitted for more than (1) one year.²

8. The Warehouse Keeper or the Taxable Person shall apply for the issuance of a new Report within 30 business days from the expiry date of the previous Report, including the actual Natural Shortage percentage incurred during the preceding twelve months, as well as the permissible or expected Natural Shortage percentage for the following twelve months. The new Report shall be valid for a period of one year starting from the day following the expiry date of the previous Report if the application for the issuance of the new Report is submitted within the timeline specified in this Clause. Where the application is submitted after the expiry of the specified timeline, the Report shall be valid for a period of one year from its date of issuance.³

9. In coordination with the Authority, the Independent Competent Entity shall conduct unannounced visits to verify the percentages of Natural Shortage and ensure that there is no change in such percentages.

10. The Warehouse Keeper or the Taxable Person may not submit the Declaration unless the Report is still valid.

11. After the issuance of the Report or during the audit, the Authority reserves the right to conduct a visit to the Warehouse Keeper or the Taxable Person subject to Excise Tax to inspect the production process and compare the percentages of Natural Shortage stated in their records and in the Report with the percentages

² Clause amended as per Federal Tax Authority Decision No. 1 of 2026.

³ Clause amended as per Federal Tax Authority Decision No. 1 of 2026.



reached during the visit of the Authority's team, in accordance with established internal procedures.

Article 3 – Procedures for Dealing with the Natural Shortage

The Warehouse Keeper or Taxable Person subject to Excise Tax shall adhere to the following procedures:

1. Submit a request to the Independent Competent Entity regarding the Natural Shortage, along with the required documents, for the Independent Competent Entity to review the request in accordance with the standards and controls stipulated in Article 2 of this Decision, and issue the Report.
2. Retain the documents proving the Natural Shortage and submit them to the Authority upon notification, including the Report.
3. Notify the Authority of the Natural Shortage through submitting a Declaration, provided that the percentage of the Natural Shortage stated in the Declaration does not exceed the percentage stated in the latest Report issued by the Independent Competent Entity.

Article 4 – Procedures to approve the Independent Competent Entities

1. A committee shall be formed within the Authority to review and approve the Independent Competent Entities to which Warehouse Keepers and Taxable Persons subject to Excise Tax may submit requests to determine the permissible percentage of the Natural Shortage.
2. The committee shall specify the conditions, standards and procedures for approving the Independent Competent Entities.
3. The Authority shall publish a list of the names of the approved Independent Competent Entities.

Article 5 – Transitional Provisions⁴

Any Report issued by the Independent Competent Entity within a period of (12) twelve months from 1 July 2025, shall be deemed to be valid from that date until 30 June 2027, provided that the application for issuance of the Report is submitted to the Independent Competent Entity by Taxable Persons or Warehouse Keepers on or before 31 March 2026.

Article 6 – Implementation of the Decision

This Decision shall be published in the Official Gazette and shall come into effect on 1 July 2025.

⁴ Article amended as per Federal Tax Authority Decision No. 1 of 2026.