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Committee on Market Access

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**QUESTIONS FROM SWITZERLAND TO THE KINGDOM OF SAUDI ARABIA
REGARDING THE 2017 LEGISLATION ON EXCISE TAX**

COMMUNICATION FROM SWITZERLAND

The following communication, dated 5 September 2017, is being circulated at the request of the delegation of Switzerland.

In Switzerland's understanding, the Excise Tax Treaty for the Cooperation Council for the Arab States of the Gulf forms a common framework for the national excise tax legislations across the GCC Member States. Since May 2017, the Kingdom of Saudi Arabia has published an Excise Tax Law¹, an Excise Tax Implementing Regulation² and an Executive Regulation of Selective Tax Law³.

Among the products subject to the Kingdom of Saudi Arabia's new excise tax are energy drinks and carbonated soft drinks. The tax base used to calculate the excise tax is the retail sales price, exclusive of the excise tax and value-added tax. The tax rate for energy drinks is set at 100%, while carbonated soft drinks are subject to a 50% tax.

Switzerland would like to invite the Kingdom of Saudi Arabia to clarify the following aspects:

1. Could Saudi Arabia share its assessment on the consistency of the excise tax and its modalities with its legal obligations under the WTO?
2. Could Saudi Arabia confirm that the taxes referred to above are aimed at reducing the consumption of products containing sugar, notably in view of decreasing the prevalence of diabetes and obesity?
3. Could Saudi Arabia indicate which criteria have been used to select and define the products subject to the excise tax, i.e. *"goods that are deemed harmful to human health and to the environment"*⁴?
4. Could Saudi Arabia indicate the reasons why it has chosen to impose an ad valorem excise tax instead of a specific tax based on the volume or on the content of relevant ingredients as recommended by the World Health Organization⁵?
5. Could Saudi Arabia detail which criteria have been applied to determine the level of the tax?

¹ Published by the General Authority of Zakat and Tax in the official Saudi Gazette « Um Al-Qura » on 26 May 2017 (unofficial English translation).

² Published by the General Authority of Zakat and Tax Official website on 6 June 2017 (unofficial English translation).

³ Issued under the Board of Directors Resolution No.9-I-2017 (unofficial English translation).

⁴ Article 3 :1 of the Excise Tax Treaty.

⁵ WHO, Fiscal policies for diet and prevention of non-communicable diseases, Technical meeting report, 5-6 May 2015.

- 6 Could Saudi Arabia explain the reasons why the tax on energy drinks (100%) has been set at twice the level of that for soft drinks (50%), whereas the sugar content is similar in both categories of products?
7. Could Saudi Arabia elaborate on the tax suspension in regard of locally produced selective commodities?⁶

⁶ Article 6 of the Executive Regulation.