Technical Update

November 2023

Tax Calculation for Locally Produced Non-Alcoholic Beverages

(Instruction no. 37444 GDT, dated 23 October 2023)

The General Department of Taxation (GDT) has issued this Instruction to provide guidance on the manner of calculating the Specific Tax (ST) and Value-Added Tax (VAT) to be imposed on the supply of locally produced non-alcoholic beverages. To ensure consistency in implementation, the GDT detailed the following methods of calculation:

A. Tax invoice

If a tax invoice is issued to the customer (i.e., VAT registered), the enterprise shall compute the ST first before VAT. The determination of each tax shall be done in the following order:

1. ST = 90% × Amount recorded on the invoice (exclusive of all taxes) × ST rate
2. VAT = [Amount recorded on the invoice (exclusive of all taxes) + ST amount] × VAT rate

B. Commercial invoice

If a commercial invoice is issued to the customer (i.e., non-VAT registered), the selling price indicated therein effectively includes all taxes, hence, the tax computation shall be done in the reverse order by calculating the VAT first followed by the ST, as shown below:

1. VAT

   VAT Base = Selling Price (inclusive of all taxes) / (1 + VAT rate)

   VAT = VAT Base × VAT rate

2. ST

   ST Base = 90% × {VAT Base / [1 + (90% × ST rate)]}

   ST = ST Base x ST rate

Our comments

This Instruction provides further clarification to enterprises locally producing non-alcoholic beverages on how to determine the applicable ST and VAT. It is noted that the basis for calculating ST remains the same as determined in Prakas 012 dated 14 January 2020. Affected taxpayers should be mindful of the type of invoice being issued and amounts indicated therein since the calculations set forth by the GDT differ depending on these factors and as such, may have a significant impact on the accuracy of the tax declarations.

As committed tax advisors to our clients, we welcome any opportunities to discuss the relevance of the above matters to your business.

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