



UAE Excise Tax

New tiered-volumetric
model of Excise Tax
for sweetened drinks



In brief

In July 2025, the Ministry of Finance (MOF) and the Federal Tax Authority (FTA) in the United Arab Emirates (UAE) announced that changes to the UAE's Excise Tax framework will be introduced for sugar-sweetened beverages by adopting a tiered-volumetric model effective 1 January 2026.

Following the above announcement, on 11 September 2025, the FTA published Excise Tax Public Clarification EXTP012, confirming that amendments to the UAE Excise Tax legislation are expected to be made and may come into force as soon as 1 January 2026. Under the new system, the tax rate will be directly linked to the amount of sugar in the drinks, representing a major shift from the current flat-rate model (known as the ad-valorem model) to a tiered-volumetric model for sweetened drinks.

The Public Clarification provides valuable guidance to businesses stockpiling, producing and importing sweetened beverages regarding the anticipated changes and associated compliance requirements. It outlines how excisable products will be classified under the tiered-volumetric model, exclusions from the regime and explains the mechanism whereby the content of the sugar shall determine the applicable Excise Tax rate on each category of taxable drinks.

The full text of the Public Clarification document can be accessed [here](#).

In detail

New Excise Tax regime for sweetened drinks in the UAE

Sweetened drinks shall be defined as any product intended for consumption as a beverage that contains added sugar, artificial sweeteners, or other sweetening agents, including concentrates, powders, gels, extracts, and any other form that can be converted into a drink.

Snapshot - current versus new regime

Under the new model, a tiered, volume-based Excise Tax system will be introduced for sweetened drinks, where the Excise Tax will be calculated based on sugar content of the drinks, rather than a fixed rate under the current regime.

Excise goods	Current regime (Ad-valorem model)	New regime (Tiered- volumetric model)
Sweetened drinks	50%	Excise Tax rate based on sugar content
Carbonated drinks	50%	
Sweetened and carbonated drinks containing only artificial sweeteners	50%	0%
Energy drinks	100%	100%
Drinks containing only natural sugar	Not subject to Excise Tax	

Sweetened drinks categorisation under the proposed tiered-volumetric model

The following categories shall apply to the calculation of Excise Tax on sweetened drinks:

Category	Amount of sugar per 100ml of the sweetened drink
High sugar	≥8 gram of total sugar and other sweeteners
Moderate sugar	≥5 and <8 gram of total sugar and other sweeteners
Low sugar	<5 gram of total sugar and other sweeteners
Sweetened drinks that contain only artificial sweeteners (such as aspartame, sucralose, saccharin, and stevia)	N/A

Excise Tax will be calculated on the above categories based on the rate (one specific rate per category) that is expected to be specified in a decision issued by the Cabinet.

Measuring sugar and sweeteners for tiered-volumetric model classification of the products

Sweetened drinks composition	Determination of the category based on the sugar content
Drinks containing only natural sugar, no added sugar or other sweeteners	Not subject to Excise Tax
Drinks containing natural sugar and artificial sweeteners only	Subject to Excise Tax at zero rate
Drinks containing natural sugar, added sugar or other sweeteners and artificial sweeteners	Exclude artificial sweeteners content but include both natural and added sugars content for product categorisation purposes
Drinks containing natural sugar and added sugar or other sweeteners	Include sugar content from all sources for product categorisation purposes

Exclusions

- 100% natural fruit and vegetable juices to which no sugar or other sweeteners have been added.
- Milk, dairy, and related products.
- Baby formula, follow up formula or baby food.
- Beverages and concentrates intended for special dietary and medical uses.
- Beverages and concentrates containing any added source of sugar or other sweeteners that are prepared by natural persons for personal consumption or other non-commercial purposes.
- Beverages containing any added source of sugar or other sweeteners that are prepared in restaurants and similar places and served in an open container that is not hermetically sealed for end consumers and intended for direct consumption as a drink.

The FTA is expected to announce the date to enable businesses to register or amend the existing registrations of sweetened drinks they deal in as excise goods upon verifying the sugar content of the products based on the reports from the accredited laboratory as approved by the Ministry of Industry and Advanced Technology (MOIAT) confirming the presence of any added sugars, artificial sweeteners, or other sweetening agents, along with the total sugar content. If the laboratory report is not provided, the product shall by default be classified as high category until a report evidencing lower sugar content is submitted.

The takeaway

The introduction of a new tiered volumetric model of Excise Tax would bring a significant change to all businesses engaged in stockpiling, producing and/or importing sweetened drinks in the UAE and will require increased administrative compliance.

Businesses must assess and prepare for compliance with transitional requirements in accordance with the transition rules to be issued by the FTA in the due course. We recommend to start considering the following steps to prepare in time:

- Identify the products based on the sugar content and identify if the product qualify as sweetened drinks under the new regime.
- Obtain the required certification from the accredited laboratories once the list of laboratories are issued by MOIAT.
- Register or update the details of the sweetened drinks that the business deals in on the FTA portal.
- Assess the impact on pricing across the supply chain.
- Review of the contractual terms with the suppliers and customers to assess the implication of the new regime through-out the transitional phase.

Contact us

To better understand how this transition may impact your trade operations and to explore new opportunities, please reach out to your dedicated PwC tax contact for further assistance.



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