

UAE TAX ALERT



FTA Public Clarification EXTP012

Transition to a tiered-volumetric model
of Excise Tax on Sweetened Drinks

#taxatmmjs



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FTA Public Clarification EXTP012 – Transition to a tiered-volumetric model of Excise Tax on Sweetened Drinks

The UAE Federal Tax Authority (FTA) has issued **Public Clarification EXTP012**, in line with the announcement made by the Ministry of Finance on **18 July 2025**, introducing a significant reform to the Excise Tax framework for sweetened drinks.

Currently, all sweetened beverages are taxed at an **ad valorem rate of 50%**, regardless of their sugar content. With the introduction of the **tiered-volumetric model** (expected to take effect from **1 January 2026**), Excise Tax will be determined based on the sugar content per 100ml of the beverage.

This reform aligns with the UAE's public health objectives by encouraging healthier consumption habits, applying **higher excise tax rates to beverages with higher sugar content** while incentivizing manufacturers to offer low- and no-sugar alternatives.

Key highlights of the proposed Tiered-Volumetric Model

Under the proposed tiered-volumetric model, a **sweetened drink** is defined as any product to which sugar, artificial sweeteners, or other sweeteners are added and is intended for consumption as a drink. This includes ready-to-drink beverages, concentrates, powders, gels, extracts, or any other form that can be converted into a drink. This definition is largely consistent with the one provided under Cabinet Decision No. 52 of 2019.

We have mentioned below the key highlights of the proposed Tiered-Volumetric Model for the applicability of the Excise tax on sweetened drinks:

1. Excise Tax Based on Sugar Content

Excise tax will be determined based on total sugar content, including natural sugars, added sugars, and other sweeteners. The following categories will apply:

High Sugar Category	≥ 8 g of total sugar/sweeteners per 100 ml
Moderate Sugar Category	≥ 5 g and < 8 g of total sugar/sweeteners per 100 ml
Low Sugar Category	< 5 g of total sugar/sweeteners per 100 ml

Note: The applicable excise tax rates for each category will be announced separately.

2. New 0% Excise Tax Category

A new 0% excise tax rate will apply to sweetened drinks that contain only artificial sweeteners (e.g., aspartame, sucralose, saccharin, stevia).

Note: Under the proposed model, drinks that contain only artificial sweeteners are also classified as excisable goods. However, the Excise Tax rate will be 0%. This means that in the future, the legislator may revise the Excise Tax rate if deemed necessary.

3. Carbonated Drinks No Longer a Separate Category

Carbonated drinks will now be taxed based solely on sugar content. This change is expected to benefit businesses, as previously, all flavored carbonated drinks were subject to excise tax regardless of sugar content.

4. Drinks Remaining Outside the Scope of Sweetened Drinks

Certain drinks remain outside the ambit of Sweetened Drinks, including:

- 100% natural fruit and vegetable juices (no added sugar/sweeteners)
- Milk, dairy, and related products
- Baby formula, follow-up formula, and baby food
- Beverages/concentrates intended for special dietary or medical use
- Beverages prepared by natural persons for personal consumption (non-commercial use)

Compliance and Transitional Requirements

1. Laboratory Certification Requirements

Businesses will be required to obtain **certification of sugar content** for their products from laboratories accredited by the Ministry of Industry and Advanced Technology (“MOIAT”). FTA will issue detailed guidance on the process and standards for sugar content testing.

2. Default High-Sugar Category

In the absence of an accredited laboratory certification, products will be taxed under the **default high-sugar** category. After obtaining and submitting the relevant laboratory reports, businesses may claim a deduction or refund for any excess excise tax paid, subject to conditions to be specified by the FTA.

3. Transitional Provisions

Transitional rules will be introduced to address potential **stockpiling** or other actions taken to gain an undue tax advantage. These rules will apply where a business expects the excise tax rate on sweetened or carbonated drinks to increase or decrease upon the implementation of the new tiered-volumetric model.



MMJS Insights

- The proposed tiered-volumetric model is a positive reform for both businesses and public health.
- It streamlines excise tax on sweetened and carbonated drinks by merging them into a single framework based solely on sugar content. This approach eliminates ambiguity, reduces classification disputes, and provides greater clarity for businesses.
- Drinks containing artificial sweeteners, previously taxed at 50%, will now have a 0% excise tax rate under the proposed model, providing a boost for businesses.

Recommended actions ahead of the January 2026 implementation:

- Conduct proactive portfolio reviews to determine the sugar category for each product.
- Engage MOIAT-accredited laboratories early to obtain required certifications.
- Plan inventory and stock levels carefully to manage transitional impacts and avoid unintended tax exposure.

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