



FTA Public Clarification EXTP012

Transition to a Tiered-Volumetric Model for Sweetened Drinks

(Issued September 2025 – Effective as early as 1 January 2026)

Background

Following the formal announcement of an upcoming amendment to the Excise Tax regime for sugar-sweetened beverages by the UAE's **Ministry of Finance** together with the **Federal Tax Authority (FTA)** on 18 July 2025, the FTA has released a Public Clarification (EXTP012) outlining a **fundamental shift** in the calculation of Excise Tax on **sweetened drinks**.

- ▶ Currently, Excise Tax is levied at a **fixed ad valorem rate (50% of Excise Price)**.
- ▶ From **1 January 2026 (expected)**, a **tiered-volumetric model** will replace the current method, aligning UAE rules with international health-focused tax practices.

Key Changes

a) New Definition of Sweetened Drinks

A product will qualify as a **Sweetened Drink** if it contains **added sugar, artificial sweeteners**, or other sweeteners, in any form (ready-to-drink, concentrates, powders, gels, or extracts).

Drinks with **only natural sugars** (e.g., 100% juice with no added sugar) will not be taxable. Drinks with **only artificial sweeteners** shall be subject to zero Excise Tax (0%).

b) Tiered-Volumetric Taxation

Excise Tax will be based on **sugar/sweetener content per 100ml**, with four categories:

- ▶ **High sugar:** $\geq 8\text{g} / 100\text{ml}$
- ▶ **Moderate sugar:** $\geq 5\text{g}$ and $< 8\text{g} / 100\text{ml}$
- ▶ **Low sugar:** $< 5\text{g} / 100\text{ml}$
- ▶ **Artificial sweeteners only:** taxable at 0%

c) Abolition of Carbonated Drinks as a Separate Category

Carbonated beverages will no longer be taxed simply because they are “carbonated.” Their treatment will depend **solely on sugar/sweetener content**.

d) Exclusions (remain outside scope)

- ▶ Energy drinks (still at 100% of Excise Price)
- ▶ 100% natural fruit/vegetable juices (no added sugar)
- ▶ Milk & dairy products ($\geq 75\%$ milk/milk substitutes)
- ▶ Infant formula & baby food
- ▶ Beverages for special dietary/medical uses
- ▶ Drinks prepared for personal consumption or served fresh in restaurants

Applicability Matrix – Treatment of Different Sugars/Sweetened Scenarios

Composition of Beverage	Sugar Content under consideration	Tax Category / Rate
Only natural sugar (e.g., 100% juice, no added sugar or sweeteners)	Not considered a Sweetened Drink	Not subject to Excise Tax
Natural sugar + Added sugar and/or other sweeteners	All sugar sources counted towards total sugar	Taxable as High / Moderate / Low sugar depending on grams per 100ml
Only added sugar and/or other sweeteners (no natural sugar)	Counted as total sugar	Taxable as High / Moderate / Low sugar depending on grams per 100ml
Only artificial sweeteners	Treated as Sweetened Drink but sugar content = zero	Subject to Excise Tax at 0% rate
Natural sugar + Artificial sweeteners (no added sugar/other sweeteners)	Treated as Sweetened Drink but sugar content = zero	Subject to Excise Tax at 0% rate
Natural sugar + Added sugar + Artificial sweeteners	Natural + Added sugar included (artificial excluded)	Taxable as High / Moderate / Low sugar depending on grams per 100ml

Compliance & Administrative Requirements

- ▶ **Laboratory Certification:** Taxable Persons must obtain a lab report (from MOIAT-approved labs, which shall be published in due course) verifying total sugar/sweetener content.
- ▶ **FTA Excise Portal Update:** Products must be registered/updated on the FTA portal with supporting documentation.
- ▶ **Default Classification Rule:** If no lab report is submitted, drinks will be deemed High Sugar (until evidence shows otherwise).
- ▶ **Transitional Provisions:** Expected stockpiled products at the go-live date to prevent tax advantages via stockpiling.

Illustrative Examples

To better understand the practical impact of the new rules, the following examples (adapted from the FTA's Public Clarification) demonstrate how beverages will be treated under the tiered-volumetric model:

Example 1 – Moderate Sugar Category

A taxable person imports 500ml bottles of a drink with total sugar (natural + added + other sweeteners) of 6g per 100ml and an Excise Price of AED 2 per bottle.

- ▶ **Current Rule:** Excise Tax = 50% of Excise Price = AED 1 per bottle.
- ▶ **New Rule:** Classified as Moderate Sugar ($\geq 5\text{g}$ but $< 8\text{g}$ per 100ml). Tax will apply at the Cabinet-approved rate for this category (TBD).

Example 2 – Natural + Added Sugar (Moderate Sugar Category)

A drink contains per 100ml: 2g of natural sugar + 3g of added sugar.

- ▶ Since added sugar is present, natural sugar is also counted.
- ▶ Total sugar = 5g/100ml → drink falls under Moderate Sugar.
- ▶ Tax applies at the Cabinet-specified rate for this tier.

Example 3 – Only Natural Sugar (Not Taxable)

A drink is made from a blend of orange juice, apple juice, and pineapple juice, with no added sugar or sweeteners.

- ▶ Total natural sugar = 9g/100ml.
- ▶ Since it contains only natural sugar, it is not considered a Sweetened Drink and is therefore not subject to Excise Tax.

Example 4 – Natural Sugar + Artificial Sweeteners (Not Taxable)

A drink contains per 100ml: 5g of natural sugar (from blueberries) + 1g of artificial sweetener.

- ▶ Artificial sweeteners are disregarded in calculating sugar content.
- ▶ As there is no added sugar or other sweeteners, natural sugar is also disregarded.
- ▶ Drink is considered a Sweetened Drink but is taxable at 0%.

Example 5 – Natural Sugar + Added Sugar + Artificial Sweeteners (Moderate Sugar Category)

A drink contains per 100ml: 2g natural sugar + 3g added sugar + 2g artificial sweetener.

- ▶ Artificial sweeteners are disregarded.
- ▶ As added sugar is present, both natural and added sugars are counted.
- ▶ Total sugar = 5g/100ml → Moderate Sugar category.
- ▶ Tax applies at the Cabinet-specified rate for this tier.

Recommended Actions for Businesses

- ▶ **Assess product portfolio:** Review ingredients and sugar content to identify which products fall into the new scope.
- ▶ **Engage early with accredited labs:** Ensure timely sugar content testing once MOIAT publishes the approved list.
- ▶ **Update excise registrations:** Prepare to reclassify products on the FTA portal with supporting lab certificates.
- ▶ **Evaluate pricing impact:** Model potential changes to Excise liability to anticipate effects on pricing, margins, and demand.
- ▶ **Plan transitional stock strategy:** Consider tax implications of stock levels around 1 January 2026.

Conclusion

The transition to a tiered-volumetric model marks one of the most significant shifts in the UAE's Excise Tax regime since its introduction, moving away from a simple fixed-rate calculation towards a system that directly links tax liability to sugar content. This change reflects broader public health objectives while also aligning the UAE more closely with global tax practices on sweetened beverages.

For businesses in the food and beverage sector, the impact will extend beyond compliance. The new framework should be approached not only as a regulatory obligation but also as a strategic consideration affecting product formulation, pricing models, and consumer demand. In particular, the abolition of carbonated drinks as a standalone category, the zero-rating of beverages containing only artificial sweeteners, and the transitional provisions on stockpiling collectively reshape the landscape of excisable goods. How the transitional rules, especially in relation to potential refunds where liabilities may decrease, will be critical for inventory planning and cash-flow management.

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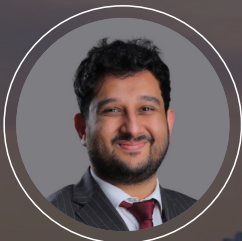
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