UAE's New Volumetric Excise Tax Model

Paradigm Shift for the Beverage Industry

FTA has announced a tiered volumetric excise tax model for sweetened drinks - a move that goes far beyond just tax compliance. This change will reshape how beverage businesses price, register, market, and manage their products across the UAE and GCC region.

Under the new structure, the Excise Tax will depend on sugar concentration per 100ml, with rates ranging from 0 AED to 1.09 AED per litre, based on total sugar content. Artificially sweetened beverages will attract 0% excise, while high-sugar drinks will see the maximum rate applied.

But what does this really mean for the industry? Here's what businesses need to prepare for:

Product Data & GS1/BrandSync Compliance

All product registrations in BrandSync will need to be revised to reflect accurate product data, including sugar content, sweeteners, and laboratory certificates from accredited testing bodies.

This means tighter alignment with GS1 standards, barcodes, and digital product data requirements. Manufacturers must ensure data integrity and traceability across all SKUs.

Pricing, Stockpiling & Refund Mechanisms:

Transitional provisions will be critical - existing stock held prior to implementation may attract differential taxation. Where the tax rate increases, excise on stockpiled goods will be due. Where the rate decreases, refund or deduction mechanisms will apply. This introduces new challenges in pricing strategy, cash flow management, and inventory planning - particularly for distributors and importers managing multi-country supply chains.

Operational & Systems Readiness

ERP and excise management systems will need to be updated to handle volumetric calculations and new reporting fields. Businesses must ensure that excise declarations, product coding, and reporting logic align with the FTA's digital tax filing structure.

Marketing, Branding & Reformulation Strategies

New sugar-tier categorization will influence how products are perceived, promoted, and positioned in the market. Brands may need to:

- Plan the marketing expenses and budget the same, as there would be more aspects to be considered for product onboarding with retailers/ supermarkets,
- Rethink labelling and nutritional disclosures,
- Explore product reformulation to move into lower sugar brackets,
- Adapt marketing claims to comply with health-driven messaging, and
- Manage consumer expectations around "low sugar" and "no sugar" categories.

Complex Computations

Importantly, this change will have far-reaching implications for companies with multiple product sizes and packaging volumes - for example, beverages sold in 150ml, 250ml, or 350ml formats. Each SKU will now require precise mapping of volume-to-sugar ratios, accurate excise computation, and consistent data reporting across systems to ensure compliance.

ANDERSEN

Conversion & Dilution Ratios

Likewise, for concentrates, powders, and syrups, the conversion or dilution ratios used to prepare the ready-to-drink product will become critical determinants for excise calculation and classification under the new model. Ensuring these ratios are accurately defined, documented, and validated will be key to compliance and risk mitigation.

Broader Business & Policy Implications

This reform supports the UAE's public health agenda, encouraging manufacturers to lower sugar content while rewarding healthier formulations. It also aligns with global moves toward sustainability, transparency, and responsible consumption — themes increasingly shaping consumer and investor sentiment.

The amended excise framework isn't just a tax update - it's a strategic transformation point.
Companies that act early - aligning their GS1 data, BrandSync records, pricing models, and marketing strategies - will be best placed to navigate this change smoothly.

How can we support?

We at Andersen are actively supporting the beverage industry in navigating this transformation, from regulatory interpretation, tax modelling, BrandSync re-registration, compliance readiness, and ERP system optimization.

Our team is working closely with producers, importers, and distributors to deliver end-to-end implementation support and ensure a seamless transition to the new excise regime.

Reach out to us if you would like to discuss readiness assessments or tailored implementation plans for your product portfolio.

Reach us for expert advice

803, New Global Tower, Electra Street, Abu Dhabi
402, Arenco Tower, Dubai Media City, Dubai
AB 1002, Jafza One, Jebel Ali Free Zone, Dubai

800 2829

info@ae.andersen.com