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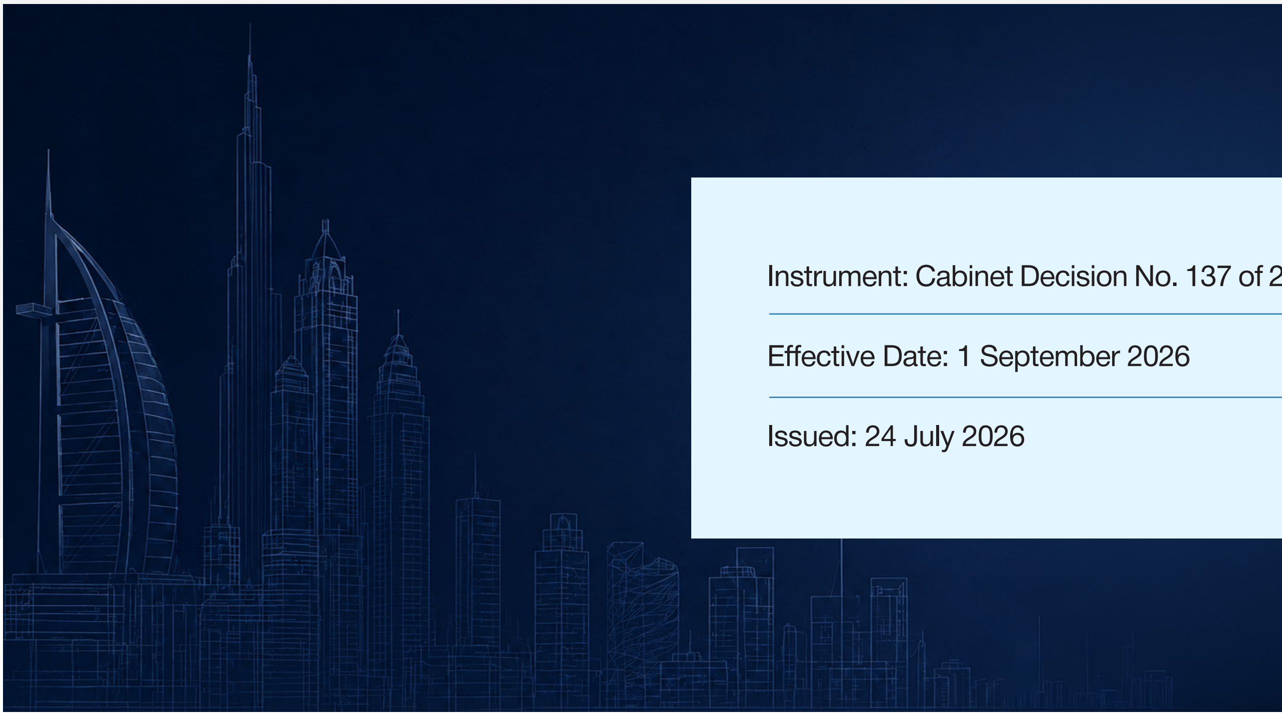
UAE EXCISE TAX UPDATE

Minimum Excise Price Introduced for Liquids Used in Electronic Smoking Devices and Tools



Instrument: Cabinet Decision No. 137 of 2026

Effective Date: 1 September 2026

Issued: 24 July 2026

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1. Overview

Cabinet Decision No. 137 of 2026 introduces a minimum Excise Price for liquids used in electronic smoking devices and tools ("e-liquids"), set at AED 1 per milliliter. The Decision also consolidates the existing minimum Excise Price framework for tobacco products, replacing Cabinet Decision No. 55 of 2019 on Excise Price for Tobacco Products.

A minimum Excise Price sets a floor value on which Excise Tax is calculated, regardless of the product's actual selling price or import value. Where the declared value of a product is lower than the prescribed minimum, Excise Tax is calculated on the minimum Excise Price instead of the declared value.

2. Minimum Excise Price Table

The Decision confirms the following minimum Excise Price thresholds. Under the standard rules, the Excise Price is calculated as the higher of (a) the price published by the FTA for that product in its official price list, or (b) the product's designated retail selling price, net of tax. The thresholds below now act as a floor under that calculation — wherever the result would otherwise fall below these levels, the minimum applies instead:

Product Category	Minimum Price	Status
Cigarettes (normal and electrically-heated)	AED 0.4 / cigarette	Unchanged
Water pipe tobacco, ready-to-use tobacco and similar products	AED 0.1 / gram	Unchanged
Liquids used in electronic smoking devices and tools	AED 1.0 / mL	New

Illustration – minimum Excise Price for e-liquids by pack size:

10 mL bottle → minimum Excise Price of AED 10

60 mL bottle → minimum Excise Price of AED 60

Illustrative example: 30 mL e-liquid pod

Excise Tax on e-liquids is levied at 100% of the Excise Price. As the Excise Price is derived from the RSP net of tax (Excise Price), the AED 1/mL minimum only changes the outcome when the RSP net of tax falls below the pack-size threshold. The two examples below, both for a 30 mL pod, illustrate this:

Example 1: Minimum Excise Price applies (RSP of AED 20)

- Minimum Excise Price for a 30 mL pack (30 mL × AED 1/mL): AED 30
- Excise Price under the standard calculation (RSP of AED 20, net of tax): AED 20
- As AED 20 falls below the AED 30 minimum, the minimum Excise Price of AED 30 applies instead of the calculated AED 20
- Excise Tax payable: AED 30 × 100% = AED 30, AED 10 more per unit than the AED 20 that would have applied before the Decision

Example 2: Minimum Excise Price not triggered (RSP of AED 40)

- Minimum Excise Price for a 30 mL pack (30 mL × AED 1/mL): AED 30
- Excise Price under the standard calculation (RSP of AED 40, net of tax): AED 40
- As AED 40 is already above the AED 30 minimum, the minimum Excise Price does not apply, the Excise Price remains AED 40, unaffected by the new Decision
- Excise Tax payable: AED 40 × 100% = AED 40, the same amount as before the Decision, since this SKU is priced above the new minimum

Together, these two examples show that the new minimum only affects e-liquid SKUs priced below the AED 1/mL threshold, and highlights why businesses should re-run their Excise Price calculations SKU-by-SKU rather than assume the new minimum will not bite.

3. Business Implications

3.1 Stockpiled inventory

Businesses holding inventories of e-liquids as at 1 September 2026 should assess the interaction between the revised minimum Excise Price and the UAE's stockpiling provisions under the Excise Tax legislation. Where the relevant conditions are met, stockpiled goods may trigger additional Excise Tax obligations calculated by reference to the new minimum Excise Price.

Recommended actions:

- Take a physical/system inventory count of e-liquids held immediately before 1 September 2026.
- Assess each stock line against the stockpiling conditions in the Excise Tax legislation.
- Quantify the potential incremental Excise Tax exposure and confirm reporting/payment deadlines, if the conditions are triggered.

3.2 Systems, pricing and tax determination

- Review product master data, pricing structures and Excise Tax calculation logic to ensure the AED 1/mL minimum is correctly reflected for all affected SKUs.
- Review ERP tax configuration and automated Excise Tax determination rules ahead of the effective date.
- Reassess commercial and supply chain contracts to understand where the increased tax cost sits across the chain (importer, distributor, retailer).

3.3 Documentation and audit readiness

- Maintain robust documentation supporting Excise Tax calculations: product specifications, liquid volumes, valuation methodology, inventory records and commercial documentation.
- Evaluate whether existing internal controls and record-keeping are sufficient to withstand an FTA review or audit of the new minimum Excise Price treatment.

4. Recommended Next Steps

With just over three weeks remaining before the 1 September 2026 effective date, businesses importing, distributing or retailing e-liquids should prioritize the following actions:

Step 1	Conduct an Excise Tax gap analysis focused on e-liquid pricing and classification.
Step 2	Perform a stockpiling assessment ahead of 1 September 2026.
Step 3	Review documentation and evidentiary support for Excise Price calculations.
Step 4	Evaluate ERP/tax engine configuration for the new minimum price.
Step 5	Assess contractual and commercial impact across the supply chain.
Step 6	Run SKU-level Excise Price calculations (as illustrated in the worked example above) to identify which products are affected and quantify the margin or repricing impact before the effective date.

5. How We Support

Andersen UAE combines deep Excise Tax technical knowledge with hands-on implementation support to help electronic smoking devices and e-liquid businesses transition smoothly to the new minimum Excise Price regime. Our team can support you across the full compliance lifecycle, including:

> Excise Tax gap analysis: reviewing product-level pricing and classification against the AED 1/mL minimum, and running SKU-specific worked examples (as above) to pinpoint exactly which products are affected and by how much.

> Stockpiling assessments: quantifying any additional Excise Tax exposure on inventory held as of 1 September 2026 and confirming reporting and payment deadlines.

> ERP reviews: validating that pricing masters, tax determination logic and automated calculations correctly apply the new minimum ahead of go-live.

> Documentation and audit readiness: preparing and reviewing the evidentiary file (pricing methodology, volumes, valuation records) needed to withstand FTA review.

> Contractual and margin impact analysis: assessing how the increased tax cost flows through import, distribution and retail contracts, and supporting repricing or renegotiation discussions where required.

> Implementation support: assisting with FTA filings, system updates and staff training ahead of the 1 September 2026 effective date.

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