ACQUISORY

*Your Growth, Our Business*

# Tax Alert on Excise Goods (Tax Rates, Amounts, and Calculation Methods)

## **Effective 1 January 2026**

www.acquisory.com

Dubai | Delhi-NCR | Mumbai | Bengaluru

# Cabinet Decision No. 197 of 2025 on Excise Goods: Tax Rates, Amounts, and Calculation Methods

The Ministry of Finance has issued Cabinet Decision No. (197) of 2025, updating excise tax rates and implementing a new calculation method for sweetened beverages.

This decision supersedes the 2019 excise regulation, aiming to improve clarity, consistency, and alignment with the UAE's wider public health objectives.

Excise Tax applies to Tobacco, E-Smoking Products, Energy Drinks, and Sweetened Beverages.

The decision becomes effective from **1 January 2026**

## 1. Overview

Excise tax is imposed on tobacco, electronic smoking products, energy drinks, and sweetened beverages, excluding products intended for smoking cessation, high-milk beverages, infant formula, special dietary or medical-use drinks, and alcoholic beverages.

## 2. Overview of Excise Goods, Scope, and Exemptions

| Item | Scope | Exclusions/ Notes |
|---|---|---|
| **Tobacco & Tobacco Products** | Covers all products classified under Chapter 24 of the GCC Common Customs Tariff, including electrically heated cigarettes | Products intended exclusively for smoking cessation are excluded in accordance with the Ministerial decision |
| **Liquids for Electronic Smoking Devices** | All liquids used in electronic smoking devices, whether containing nicotine or not, as defined by the relevant Customs codes | N/A |
| **Electronic Smoking Devices & Tools** | All electronic smoking devices and associated tools, whether containing nicotine or tobacco, as specified under the relevant Customs codes | N/A |
| **Energy Drinks** | Beverages marketed as energy drinks containing stimulants or similar substances, including extracts that can be converted into energy drinks | N/A |
| **Sweetened Drinks** | Beverages containing added sugar, artificial sweeteners, or other sweeteners, including ready-to-drink products, concentrates, powders, gels, extracts, or any form that can be converted into a drink | **Exclusions:**<br>• Beverages containing 75% or more milk or milk substitutes<br>• Infant formula and baby food<br>• Beverages for special dietary or medical purposes<br>• Drinks prepared and served in restaurants or open containers<br>• Alcoholic beverages |

## 3. Excise Tax Treatment of Beverages

Where an Excise Good has already been subject to excise tax in the State, any beverage prepared by combining that good with other products at the point of sale and sold for consumption by a non-taxable person shall not be regarded as an Excise Good for the purposes of the Decree-Law, and no further excise tax shall be due.

Any excise tax paid on such goods shall not be treated as deductible tax

## 4. UAE Excise Tax Rates

100% excise tax applies to tobacco products, e-smoking devices and liquids, and energy drinks.

Sweetened drinks are taxed based on sugar content per 100 ml:

- 5g to <8g → AED 0.79/litre
- ≥8g → AED 1.09/litre
- <5g or only artificial sweeteners → No tax

For concentrates, powders, gels, and extracts, sugar content is calculated based on the final prepared product.

In sweetened drinks, naturally occurring sugar is counted as part of the total sugar or sweetener content when present alongside added sugar or other sweeteners

## 5. Method for Determining Excise Price

Excise Price is the higher of:

- The price published by the Authority in its standard price list (if available).
- The designated retail sales price (DRSP) of the good, excluding tax.

For goods taxed at 100%, the tax portion of the designated retail sales price is considered half, while concentrates, powders, gels, and extracts are calculated using a special mechanism set by the Minister

Designated Retail Sales Price (DRSP) is the higher of:

- The recommended retail price set by the importer or producer (after deducting VAT), for retail sales directly to consumers.
- The average market retail price (after deducting VAT), calculated per the Authority's procedures.

## What Businesses Should Do Now

- ✓ *Identify goods subject to excise tax.*
- ✓ *Determine the correct excise rate or amount.*
- ✓ *Calculate excise price according to regulations.*
- ✓ *Record all relevant calculations and supporting documents.*
- ✓ *Report and comply with Authority requirements.*

## OUR VIEW

This decision reinforces the UAE's focus on structured excise tax compliance and accurate reporting for businesses dealing with excise goods. While the rules primarily clarify the calculation, pricing, and documentation requirements, the practical impact is significant, particularly for importers, producers, and retailers who must now align internal processes, pricing mechanisms, and record-keeping with the prescribed excise tax regulations.

Our GCC Tax Practice is well-positioned to assist clients in reviewing their current excise tax frameworks and ensuring full compliance with the Authority's expectations.

ACQUISORY
Your Growth, Our Business

# Our Offices

## Dubai

Office 604, Bay Square 11, Business Bay,
P.O. Box: 118767, Dubai, UAE

**T:** + 971 4576 5098

GCC@acquisory.com

## Delhi-NCR

1116, 11th Floor, WTT, C-1,
Sector 16, DND Flyway,
Noida – 201301

**T:** +91 120 614 300
**Fax:** +91 120 6143033

## Mumbai

102, 1st Floor, Naman Centre, BKC,
Near MMRDA Parking, Bandra East,
Mumbai City, Maharashtra, 400051

**T:** +91 22 68648100
**Fax:** +91 22 68648132

## Bengaluru

Unit 1003-1004, 10th Floor,
Prestige Meridian - II,
Mahatma Gandhi Rd,
Ashok Nagar, Bengaluru,
Karnataka, 560025

info@acquisory.com

*Celebrating 15 Years of Learning & Growth*

www.acquisory.com