

## Tax Alert

December 09, 2025

### Saudi Arabia to Implement Tiered Volumetric Excise Tax on Sweetened Beverages from 1 January 2026

#### Introduction

The GCC Economic and Financial Cooperation Committee has approved a new sugar-based excise tax methodology for locally produced sweetened beverages, **replacing the current flat 50% tax on retail selling price with a tiered approach based on grams of sugar per 100 ml**. Saudi Arabia is expected to implement the new methodology from **1 January 2026**

#### Key highlights

- The model applies exclusively to sweetened beverages, including carbonated beverages that meet the definition of a sweetened beverage. The standalone **carbonated beverages excise category will be done away with**.
- **Definition of sweetened beverages** – includes any drink (ready-to-drink or in concentrate/powder/gel/extract form) that **contains added sugar** or other sweeteners, including **natural sweeteners such as honey**.
- Inter-alia, **Beverages excluded** from the definition of sweetened beverages includes energy drinks (taxable at 100% of RSP), any milk/ dairy-based product or beverages and beverages/ concentrates formulated for special nutritional or medical purposes.
- Sweetened beverages will be classified into **four sugar-based tiers**:

Tiers	Sugar Content	Excise Tax
<b>Tier 1 – No added sugar</b>	Sweetened only with artificial sweeteners	<b>0 SAR/liter</b>
<b>Tier 2 – Low sugar</b>	< 5 g per 100 ml	<b>0 SAR/liter</b>
<b>Tier 3 – Medium sugar</b>	5–7.99 g per 100 ml	<b>0.79 SAR/liter</b>
<b>Tier 4 – High sugar</b>	≥ 8 g per 100 ml	<b>1.09 SAR/liter</b>

#### Dhruva comments:

The move to a sugar-content-based excise tax will directly impact how beverage companies calculate their tax liability, with high-sugar products falling into higher tax tiers. Businesses should review their product portfolios and consider reformulation or introducing low- and zero-sugar alternatives to manage excise exposure. This shift also aligns with Vision 2030 by encouraging healthier consumption and improved product quality – a component of Quality of Life Program launched by Vision 2030.

The updated rules provide clearer definitions for sweetened beverages, supporting more consistent tax application and reducing uncertainty. We recommend that businesses begin product mapping, assess the financial impact, and prepare their compliance systems ahead of the 2026 implementation.

This Tax Alert is intended to provide a general overview of recent tax developments and does not constitute tax, legal, or financial advice. It is a high-level summary and may not address all aspects or implications relevant to your specific situation. Readers are strongly advised to consult with their tax advisor or a qualified professional to assess the impact of these changes on their individual or business circumstances.

- Tier 1 – Indirect Tax
- Tier 2 – General Corporate Tax, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy



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