

# Tax Alert

March 23, 2026

## UAE Excise Tax Developments:

The Federal Tax Authority revises guidance following recent amendments to the UAE Excise Tax Law

### Introduction

The Federal Tax Authority (FTA) has recently issued two new Taxable Persons Guides relating to the Excise Tax framework in the United Arab Emirates. The guides, **ETGTP1** and **ETGTP2**, released in January and February 2026, respectively, supersede the earlier Taxable Persons Guide (EG001), published in September 2019.

### Need for the Update

Considering the multiple structural and legislative changes, the new guides consolidate these amendments, Cabinet Decisions, and Public Clarifications issued since the release of the earlier Taxable Persons Guide. These provide businesses with a comprehensive understanding of their obligations under the UAE Excise Tax regime. While ETGTP1 focuses on the general scope and framework of the UAE Excise Tax regime, ETGTP2 provides detailed guidance on Excise Goods, including their classification, applicable tax rates, and registration requirements.

Set out below are our observations on some of the key changes introduced through the release of these updated guides.

#### 1. Transition to Tiered-Volumetric Model (TVM) for Sweetened Drinks

As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP2)	Our Analysis
Previously, carbonated drinks and sweetened drinks were subject to the Excise Tax at the rate of 50%.	<p>A major policy shift was introduced through legislative amendments effective from <b>1 January 2026</b>, implementing a TVM for sweetened drinks, taxing beverages based on sugar content rather than a uniform rate.</p> <p>Consequently, carbonated drinks have been abolished as a separate Excise category, and the FTA has updated the Excise Tax Guides to align with the revised legal framework.</p>	<p>The shift to a TVM was introduced through legislative amendments effective <b>1 January 2026</b>. ETGTP2 consolidates these developments and aligns the FTA's guidance with the revised framework.</p> <p>In practice, Taxable Persons must review product sugar content and maintain MOIAT-accredited laboratory certifications and supporting documentation to substantiate the Excise Tax classification.</p>

## 2. Additional Category for Claiming Deductibles Tax

As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP1)	Our Analysis
<p>Previously, Taxpayers could deduct Excise Tax paid on Excise Goods in the following cases:</p> <ul style="list-style-type: none"> <li>• At the time of export of goods outside the UAE.</li> <li>• When Excise Goods form part of another Excise Goods.</li> <li>• Tax paid to the Authority in error.</li> </ul>	<p>In addition to the existing circumstances, the amendment to the Excise Tax Decree Law (<i>effective 1 October 2025</i>) allows Taxpayers to deduct Excise Tax paid on unsold goods when the applicable Excise Tax rate is subsequently reduced.</p> <p>The deduction is permitted to the extent of the reduction in the applicable tax, representing the differential Excise Tax paid on the unsold goods.</p>	<p>This amendment operates as transitional relief, allowing taxpayers to claim a deduction for unsold Excise Goods when the applicable Excise Tax is reduced.</p> <p>This change will be greatly welcomed by Taxpayers who acquired sweetened beverages at 50% Excise Tax rate and held unsold stock of such goods as of 31 December 2025.</p> <p>However, it is important to note that such claims remain subject to the statutory timeline for claiming deductible tax and must be reported in the relevant Excise Tax return period where applicable and must be claimed within the Excise Tax returns for the period of February 2026, if they were not claimed under the January 2026 returns.</p>

## 3. Timelines for Claiming Deductible Tax

As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP1)	Our Analysis
<p>As per the provisions of Clause 1 of Article 16 of the Executive Regulation of Federal Decree Law No. 7 on Excise Tax, "<i>A Taxable Person who is eligible to deduct Tax, may deduct the Tax in his Tax Return for the period in which the right to the deduction arose.</i>"</p> <p>However, the Guide (EG001) provided an administrative guidance to the implemented provision by stating, "<i>Where the Deductible Tax is not included on that excise tax return, it may be included in the taxable person's excise tax return at the earliest opportunity</i>".</p>	<p>ETGTP1 has now been amended to reflect the changes introduced to Article 16(1) of the Excise Tax Executive Regulations, effective <i>1 January 2026</i>, which require Deductible Tax to be claimed in the tax period in which the right to deduction arises or in the immediately subsequent tax period.</p> <p>For example, a Deductible declaration (EX203) for export of Excise Goods on 13 January 2026 (assuming right to deduction arose in January 2026), must be submitted within January 2026 (same tax period) or in February 2026 (subsequent tax period)</p>	<p>With the previous guide (EG001) allowing taxpayers to claim Deductible Tax at the "<i>earliest opportunity</i>," no explicit timeline was prescribed, which effectively permitted taxpayers to claim deductions in later tax periods.</p> <p>The updated guide (ETGTP1), in line with the amendments to the Excise Tax Executive Regulations, replaces this flexibility with a defined two-tax-period timeline for claiming Deductible Tax. Accordingly, taxpayers are now required to identify and report Deductible Tax entitlements within the prescribed timeframe.</p>



As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP1)	Our Analysis
	<p>However, The FTA has introduced an exception to the above rule specifically for sweetened drinks, due to the transition to the TVM, effective <i>1 January 2026</i>. During the initial implementation, several products were automatically classified under the High Sugar category in the FTA system, primarily due to the absence of MOIAT-accredited laboratory certifications or where product classifications had not yet been updated based on testing results.</p> <p>As a result, taxpayers may have paid Excise Tax at the High Sugar rate, even though the products may subsequently qualify under the Medium, Low, or No Sugar categories after proper evaluation and product classification.</p> <p>To address this transitional issue, the FTA has provided a window till <i>30 June 2026</i> allowing taxpayers to reclassify products and submit deductible tax claims for any excess Excise Tax paid due to the initial automatic classification.</p>	<p>Businesses dealing with sweetened beverages should review their product classifications under the TVM and ensure that MOIAT-accredited laboratory certifications are obtained prior to submitting such deductible tax declarations.</p>

#### 4. Statutory Limitation for Excise Tax Refunds

As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP1)	Our Analysis
<p>There was no statutory timeline between the submission of a deductible declaration and the corresponding refund request.</p> <p>Taxpayers could generally submit refund requests soon after filing the deductible tax declaration.</p> <p>For example, Registrants with unclaimed Excise Tax credits that arose in October 2017 could still submit refund requests in August 2025, provided the FTA has reviewed and is satisfied with the documentary evidence submitted in respect of such claims.</p>	<p>The updated framework introduced specific procedural requirements for claiming refunds.</p> <p>Deductible Tax must first be offset against current or future Excise Tax liabilities before submitting the refund request to the FTA. Additionally, a minimum two-month interval is required between submission of the deductible declaration and the corresponding refund request.</p> <p>A 5-year limitation period now applies for submitting a refund request, from the end of the tax period in which the right to deduct arose (similar to the limitation period under the UAE VAT framework).</p> <p>The transitional provision has been introduced to allow taxpayers holding legacy Excise Tax credits from earlier periods (prior to the introduction of the five-year limitation rule) to submit refund requests for claims that would otherwise become time-barred under the new framework, until 31 December 2026.</p>	<p>The introduction of a statutory limitation period and procedural requirements formalizes the lifecycle of Excise Tax credits and aligns the framework more closely with the UAE VAT refund regime.</p> <p>Businesses holding legacy Excise Tax Credits (prior to 2022) should review their historical positions and ensure that refund requests are submitted within the transitional window to avoid potential expiry of such claims.</p>

## 5. Standards and Procedures on Reporting Natural Shortages of Excise Goods in Excise Designated Zones (DZ)

As per the 2019 Guide (EG001)	As per the 2026 Guide (ETGTP1)	Our Analysis
<p>Natural shortages (e.g., evaporation or moisture loss) were typically supported through internal production logs and production formulas.</p> <p>Companies would report such losses, as the intangible difference between theoretical and actual consumption, based on their production formulas.</p> <p>There was no standardized benchmarking/threshold for the reporting of natural shortages within a DZ.</p>	<p>Treatment of non-physical losses is now guided by FTA Decision No. 6 of 2025 (<i>amended in January 2026</i>), which standardizes the procedures for the reporting of Natural Shortages.</p> <p>Registrants must now approach an FTA-Authorized Independent Competent Entity (ICE), who will certify the allowable loss percentage for each product, considering factors such as actual production data for the last 6 months, production methods, machinery used, etc., which will be valid for one year, from the date of issuance of the certificate.</p> <p>As a transitional provision, ICE-issued certifications within 12 months from 1 July 2026 will be valid starting 1 July 2026, provided inspection applications are submitted to the ICE before 31 March 2026.</p>	<p>The updated approach standardizes the reporting of natural loss of Excise Goods across the industry, providing clarity on how such losses must be accounted for Excise Tax purposes, and is in line with the global practice of establishing 'Input – Output Norms.'</p> <p>Registrants operating within Designated Zones should maintain detailed production records, production flowcharts/ Standard Operating Procedures (SOP), machinery specifications, and throughput analysis to facilitate the ICE's analysis.</p> <p>The transitional provision provides a major relief for taxpayers, by providing a grace period to organize their data and documentation in line with ICE specifications, so as to facilitate the completion of their inspection.</p>

## The Road Ahead: What Businesses Must Do Now

- **System Re-engineering:** Update tax management systems to reflect the Excise Tax for Sweetened Drinks on a volumetric basis instead of an ad valorem basis.
- **Third-Party Confirmations:** Partner with ICEs and FTA-accredited labs to obtain technical certifications for products and production processes.
- **Audit & Credit Clean-Up:** Conduct a comprehensive Excise Tax credit analysis to identify and claim legacy balances from October 2017 to October 2022, before the 31 December 2026 deadline

Ranking 2026:

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



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