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UAE Excise Tax

August 21, 2026

Introduction of Minimum Price Floor Mechanism for Electronic Smoking Liquids

EXECUTIVE SUMMARY

The UAE Ministry of Finance ("MoF") has published Cabinet Decision No. 137 of 2026, introducing a **minimum Excise Price of AED 1 per millilitre for liquids used in electronic smoking devices and tools ("E-Liquids")**, effective **September 1, 2026**. The measure extends the minimum Excise Price framework to E-Liquids, which was previously applicable to certain tobacco products.

While the **Excise Tax rate remains unchanged at 100%**, the Decision introduces an important change to the **tax base on which that rate is applied**. From **September 1, 2026**, the Excise Price of E-Liquids cannot fall below AED 1 per mL, irrespective of a lower price determined under the ordinary valuation mechanism.

The change is therefore particularly relevant for lower-priced E-Liquids. Products whose existing Excise Price is below the new statutory floor may face an increased Excise Tax liability, with consequential implications for pricing, margins, existing inventory and commercial arrangements.

In this alert, we have examined how the new minimum Excise Price interacts with the existing valuation framework, illustrated its impact through practical examples, and highlighted the key actions businesses should consider ahead of implementation.

EXISTING FRAMEWORK: HOW EXCISE TAX APPLIES TO E-LIQUIDS

E-Liquids were brought within the scope of UAE Excise Tax in December 2019 and are currently subject to Excise Tax at 100% of the Excise Price.

Under the existing valuation framework, the Excise Price is generally determined as the higher of:

- the price published by the FTA in its standard price list, where available; or
- the designated retail sales price of the Excise Good, less the Excise Tax included in that price.

For Excise Goods subject to tax at 100%, the Excise Tax included in the designated retail sales price is equivalent to half of that price. Accordingly, under the existing framework, a lower designated retail sales price generally results in a correspondingly lower Excise Price and Excise Tax liability.

The enforcement of Cabinet Decision No. 137 of 2026 introduces a floor price concept into this valuation mechanism. From 1 September 2026, irrespective of the Excise Price determined under the ordinary valuation rules, the Excise Price attributable to E-Liquids cannot be less than AED 1 per mL.

WHAT CHANGES FROM 1 SEPTEMBER 2026?

The new measure does not change the 100% Excise Tax rate applicable to E-Liquids. Instead, it establishes a minimum value on which that rate must be applied.

In practical terms, the Excise Price of an E-Liquid will be subject to a minimum threshold calculated by reference to its volume:

Minimum Excise Price = Volume of E-Liquid (mL) × AED 1

Accordingly, where the Excise Price determined under the existing valuation rules is higher than the minimum threshold, the existing Excise Price will continue to apply. Where it is lower, the statutory minimum will effectively become the Excise Price for tax purposes.

The measure therefore operates as a floor rather than a replacement of the existing valuation methodology.

HOW WILL THE MINIMUM EXCISE PRICE WORK IN PRACTICE?

The impact of the new rule will depend on whether a product's existing Excise Price is above or below the AED 1 per mL threshold. The following example illustrates the difference:

Product Specifications	Product A	Product B
Liquid Volume per SKU	1 L per container	1 L per container
Excise Price Determined by the Importer / Producer	AED 1,250	AED 850
Minimum Excise Price for E-Liquids (effective 1 September 2026)	AED 1,000	AED 1,000
Applicable Tax Base (Excise Price)	AED 1,250	AED 1,000
Excise Tax Liability	AED 1,250	AED 1,000
Final Shelf Price (excluding VAT)	AED 2,500	AED 2,000
Final Shelf Price (including 5% VAT)	AED 2,625	AED 2,100

Product A is unaffected by the new minimum, as its existing Excise Price of AED 1,250 exceeds the AED 1,000 minimum applicable to a 1-litre container.

Product B, however, has an existing Excise Price of AED 850, which falls below the statutory minimum of AED 1,000. Accordingly, from 1 September 2026, its Excise Tax must be calculated using AED 1,000 as the tax base.

The example demonstrates that the new measure is likely to have its greatest impact on lower-priced E-Liquids, while products already valued above the minimum threshold should generally remain unaffected.

KEY FEATURES OF THE PRICE FLOOR FOR E-LIQUIDS

1. **Minimum tax base:** The AED 1 per mL threshold ensures that the Excise Price of E-Liquids cannot fall below a prescribed minimum, irrespective of the price otherwise determined under the existing valuation mechanism.
2. **Greater consistency in valuation:** The introduction of a clear volumetric benchmark provides a common minimum valuation standard across E-Liquid products.
3. **Potential impact on lower-priced products:** Products currently carrying an Excise Price below AED 1 per mL will be directly affected and may experience an increase in Excise Tax liability.
4. **Alignment with the existing tobacco framework:** The measure extends the minimum Excise Price concept already applied to cigarettes, water-pipe tobacco and similar tobacco products to E-Liquids.
5. **Commercial implications:** For affected products, the additional Excise Tax cost may require businesses to reassess pricing, margins, contractual arrangements and broader supply-chain economics.

WHAT BUSINESSES SHOULD DO NEXT?

To ensure complete compliance ahead of the 1 September 2026 effective date, businesses dealing in E-Liquids should proactively undertake the following operational and commercial measures:

GTIN / SKU Portfolio Alignment:

Perform a comprehensive, SKU-by-SKU review of all registered E-Liquid product lines to verify whether the Retail Selling Prices (RSPs) currently registered on the FTA portal meet or exceed the statutory AED 1.00/mL valuation threshold.

Physical Stock Audit & Stockpiling Assessment:

Conduct physical inventory checks across warehouses and retail outlets prior to 1 September 2026 to evaluate stock levels and quantify potential liabilities under Excise Stockpiling regulations.

ERP & System Logic Re-configuration:

Reconfigure Enterprise Resource Planning (ERP) platforms used before the effective date to integrate volumetric (per mL) baseline calculations alongside percentage-based duty rates.

Pricing & Contractual Realignment:

Adjust declared RSPs for product lines falling below the new statutory floor. Where commercial agreements contain fixed-price provisions or non-adjustment clauses, review and renegotiate contract terms with supply chain partners to reflect shifts in landed tax costs.

DHRUVA'S COMMENTS

The introduction of a minimum Excise Price represents a targeted change to the valuation of E-Liquids rather than a change to the underlying Excise Tax rate. The existing **100% ad valorem tax mechanism remains**, but from 1 September 2026 it will operate subject to an AED 1 per mL minimum tax base.

The practical impact will therefore vary across the market. E-Liquids whose existing Excise Price already exceeds the prescribed minimum should see limited impact from the new valuation floor, whereas lower-priced products may experience a material increase in Excise Tax liability.

With the effective date approaching, importers, producers and other businesses dealing in E-Liquids should use the intervening period to **identify affected SKUs, quantify the financial impact, review existing inventory and pricing arrangements, and ensure that systems and compliance processes are ready for the new framework.**

Dhruva Consultants achieved ITR World Tax Ranking 2026:

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

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