

— MARKET SIGNAL · PRICING & PORTFOLIO



The UAE just rebuilt its sugar tax. *The reformulation clock starts now.*

For beverage brands operating in the GCC, this isn't a compliance update — it's a forced portfolio rethink. The UK has run this exact playbook since 2018. Eight years of data tells you what happens next.



UAE Cabinet Decision No. 52 of 2023
EFFECTIVE 1 JANUARY 2026

— THE DECREE · 1 JANUARY 2026

The UAE swapped flat-rate excise for a tiered tax on sweetened beverages.

Under Cabinet Decision No. 52 of 2023 — implemented by Ministerial Decision No. 12 of 2025 and effective 1 January 2026 — the UAE replaced its flat 50% excise on sweetened beverages with a *tiered system based on grams of sugar per 100ml*. The structure is identical to the UK SDIL launched in 2018.

50% excise on drinks at or above 8g sugar per 100ml. 20% on drinks between 5 and 8g. 0% on drinks below 5g. Artificially sweetened categories follow a parallel logic.

For any beverage portfolio with UAE exposure — and increasingly any GCC-wide portfolio — this is the most consequential portfolio policy decision of the decade.

50%

excise on drinks
≥8g sugar / 100ml

20%

rate on drinks
5–8g / 100ml

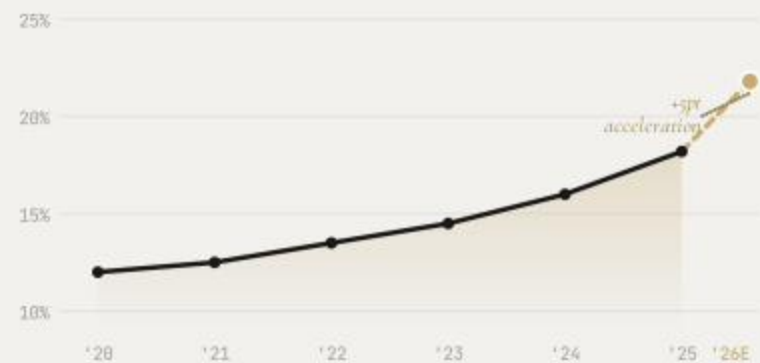
0%

on drinks
under 5g / 100ml

FIG.

UK SDIL outcome, 2015 → 2024

Eight years after the UK ran the same playbook. Source: HMRC SDIL review 2024.



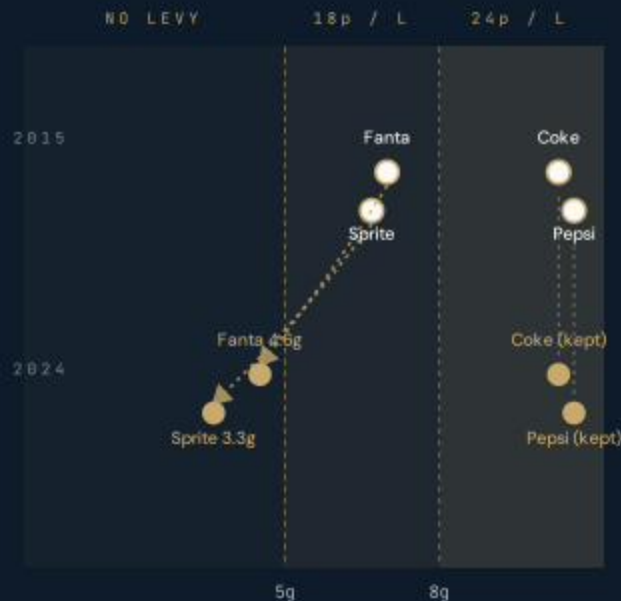
● Sugar reformulated out

● Tax avoidance via reformulation



UK SDIL · BRAND MIGRATION

Sugar content per 100ml — before → after



SOURCE · HMRC SDIL REVIEW 2024 · DICKSON ET AL. 2023

"Companies rarely reformulate existing products — they develop new low-sugar alternatives alongside them."

— LAUBER ET AL., UK SDIL MARKETING STUDY, 2022

— THE PRECEDENT · UK SDIL, 2018

The UK ran this exact playbook in 2018. The data tells you what happens.

01 **47% sugar reduction in 8 years.** HMRC's 2024 SDIL review: average sugar content in scope drinks fell 47%; 65% of brands above 5g/100ml reformulated below the threshold within four years. The tier line, not the tax revenue, did the work. **REFORMULATION**

02 **Reformulation drove 83% of the change.** Dickson, Gehrsitz & Kemp (2023, IZA DP 14528) found that 83% of the calorie reduction from the UK SDIL came from reformulation — not consumer substitution, not price-driven demand reduction. The tax does its work upstream. **EVIDENCE**

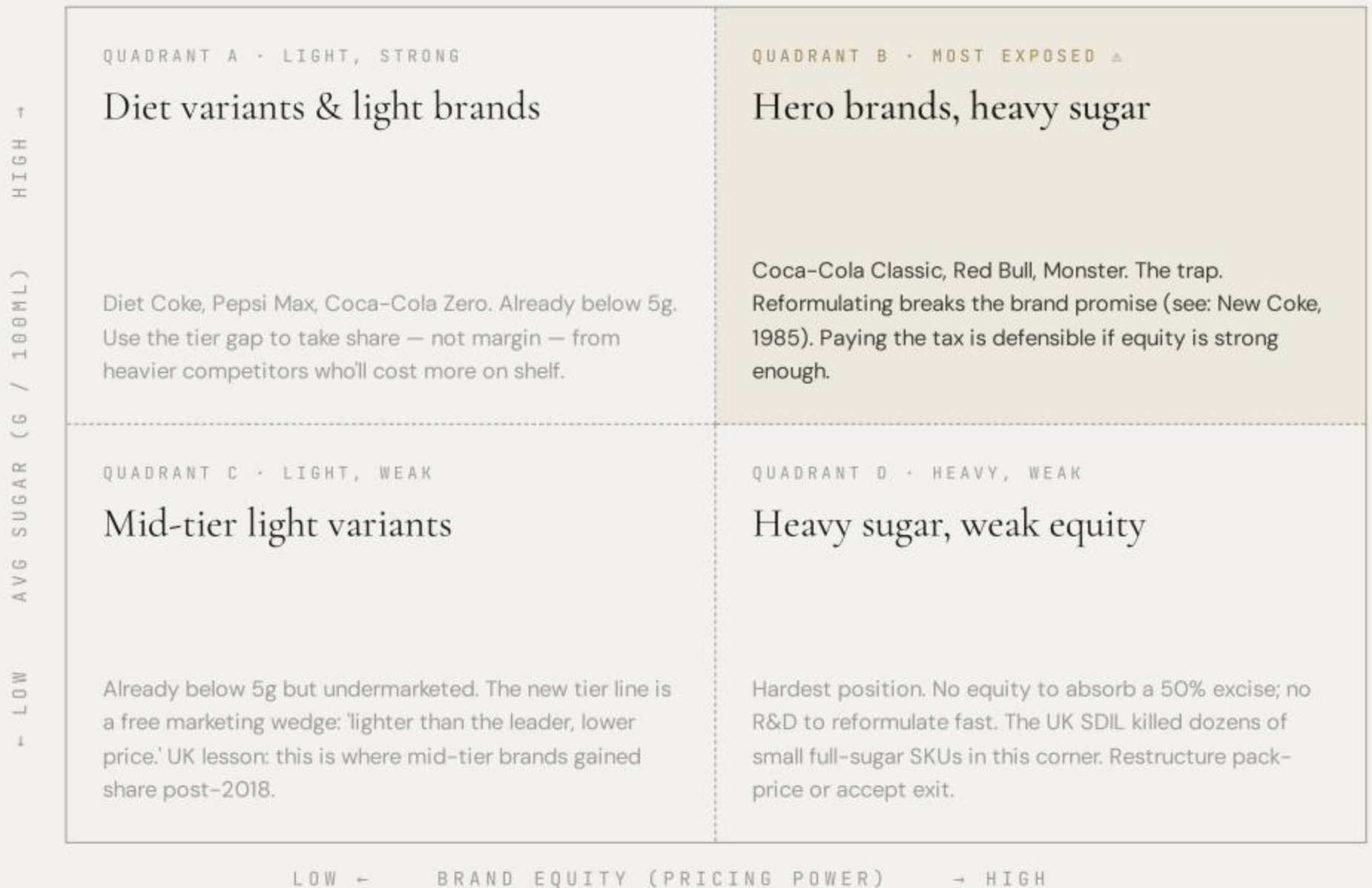
03 **But not every brand reformulated.** Fanta, Sprite, Pepsi, Irn-Bru: reformulated below 5g. Coca-Cola Classic, Red Bull, Monster: kept the recipe, paid the tax. The split — and the strategic logic behind it — will repeat in the GCC. **CHOICE**



— YOUR POSITION · 2x2 READ

Where you sit on the tier line determines your next 8 years.

Map your beverage portfolio on two axes: average sugar (g/100ml) — where the new excise lives — and brand equity, your ability to pass cost through. The top-right quadrant — strong brand, heavy sugar — is the trap. Coca-Cola Classic, Red Bull and Monster all live there. They paid the tax and held the line on equity grounds. Your equity has to be that strong.





— THE PLAYBOOK · THREE MOVES THIS QUARTER

Don't wait for the next budget cycle. Three moves any beverage leader can run now.

Drawn from the UK SDIL playbook (2016–2018 pre-implementation window) and McKinsey's 2014 obesity report. None require a global mandate. All can land in Q1.

01 Audit every UAE SKU's sugar content per 100ml — today. You can't manage what you can't see. Most beverage portfolios don't have a single file with verified sugar grams per 100ml across every UAE SKU. The Federal Tax Authority will need this anyway. Build it in two weeks. Margin-mix beats margin per SKU when the spread is visible.

DIAGNOSTIC

02 Run a reformulation P&L on your top 5 references. For each: cost to move 1g of sugar down × excise saved at the new tier × velocity impact. McKinsey's 2014 obesity report showed reformulation delivers 8x the consumption impact of a flat tax. Two of your top five will pay back inside 12 months. The other three tell you where NOT to invest.

FINANCE

03 Stress-test your GCC pricing model assuming KSA follows in 2027. ZATCA has signalled intent to follow with a tiered model. If Riyadh moves with similar thresholds, your unified GCC pricing model breaks. Build the scenario now: what happens to KSA margin if the same logic lands. Decisions taken in 2026 should be GCC-coherent, not UAE-only.

GCC



— 30 / 60 / 90 · THE UK PRE-IMPLEMENTATION PLAYBOOK

90 days from confusion to clarity. The UK gave brands two years; you have one quarter.

Start narrow, learn fast, then scale. Don't try to reformulate everything. The UK winners reformulated 60% of the volume-weighted portfolio first; flagship and niche followed in year two.

— 30 DAYS

Diagnose

- › Pull sugar grams per 100ml on every UAE SKU
- › Run the 2x2 map: where each SKU sits on tier line x brand equity
- › Quantify margin at risk per SKU at new excise rates

— 60 DAYS

Decide

- › Pick 2–3 references where reformulation pays back inside 12 months
- › Brief R&D on formulation timeline (sweetener swap, fibre)
- › Pre-test taste profile in 2 controlled outlets

— 90 DAYS

Execute

- › Begin formulation work on top 2 candidates
- › Lock pricing scenarios assuming KSA follows H2 2027
- › Build the GCC-coherent global P&L narrative

"The window before reformulation becomes the new normal is the window. Use it."



— THE BOTTOM LINE

Tax tied to sugar grams isn't a regulatory footnote — *it's the lever that resets every beverage portfolio in the GCC.*

Eight years of UK data make the next 24 months in the UAE predictable. The brands that reformulated by 2018 took share. The brands that hesitated, didn't. Coca-Cola Zero Sugar grew 35% in the UK between 2018 and 2023 while full-sugar Coca-Cola declined 15%. That wasn't a marketing success — that was the tier line doing structural work, while one product absorbed the levy and the other captured switchers. Same parent. Different tier. Different outcome.

If you're sitting on a Quadrant B beverage portfolio in the UAE — strong brand, heavy sugar — the next 90 days set up the next 8 years. DM me directly. I run interim COO mandates (4–8 weeks) on portfolio reformulation, tier-driven repricing, and GCC scenario planning out of UAE and Singapore.



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