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From levy to tax: The German Government's draft Sugar-Sweetened Beverages Tax Act

41 I 2026

The discussion about its introduction has been going on for years. In recent months in particular, the debate in Germany has really gathered pace. Now, the so-called sugar tax is finally set to become a reality. On 14 October 2026, and despite concerns and opposition from within its own ranks, the German Federal Cabinet agreed to the introduction of a draft bill taxing sugar-sweetened beverages (ZGStG). The law is set to come into force as early as 1 July 2027.

1 Background

By introducing a tax on sugar-sweetened beverages, Germany is not breaking new ground. A large number of European countries have introduced similar taxes and levies in recent years. The "Soft Drinks Industry Levy", which is levied in the United Kingdom, is often cited as a model. This has led to product reformulations, with manufacturers reducing the sugar content of their products in order to avoid high taxation. Earlier this year, the debate in Germany received fresh impetus from the Health Finance Commission. In its first report dated 30 March 2026, the Commission recommended the introduction of a tiered tax on sugar-sweetened soft drinks. At the same time, the financial situation of Germany's statutory health insurance system is becoming increasingly strained. Against this backdrop, the German Federal Cabinet has now adopted a draft bill to introduce a sugar-sweetened beverages tax. The tax is intended to help stabilise the financing of the health funds. According to the official justification for the law, the German Federal Government is ultimately anticipating additional revenue of around 690 million euros annually as a result of the new tax. This is expected to increase to 925 million euros in subsequent years. The tax is also intended to encourage healthier consumer behaviour. By passing the tax burden on to consumers, demand for unhealthy, sugar-sweetened beverages is expected to decline.



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2 Key points of the government's draft bill

- **Taxable items:** The tax applies to "sugar-sweetened beverages" with a total sugar content of at least 5 grams per 100 millilitres. As is typical for excise duties, the draft bill defines the taxable products by reference to headings of the Combined Nomenclature (headings 2009, 2202 and 2106). The tax therefore primarily applies to sugar-sweetened soft drinks (lemonades, iced teas, energy drinks, etc.), fruit and vegetable juices with added sugar, as well as sugar-containing syrups and concentrates. Exempt from taxation, however, are alcoholic beverages (which are already subject to other excise duties) and their non-alcoholic alternatives, milk, oat and rice drinks, pure fruit and vegetable juices, and beverages sweetened with other sweeteners. Also exempt are food supplements, medicinal products and foodstuffs for special medical purposes.

- **Tax rate:** In line with the proposals of the Health Finance Commission, the ZGStG provides for a two-tier tax rate based on the total sugar content of the particular drink:
  - Tier 1: from 5 g/100 ml up to but not including 8 g/100 ml: 26 cents per litre
  - Tier 2: from 8 g/100 ml: 32 cents per litre

- **Persons liable for payment of the tax**
  The group of persons liable for payment of the tax is to be limited to manufacturers and wholesalers. The introduction of the tax will be accompanied by exemptions for smaller independent manufacturers.
  The draft bill provides for a full tax exemption for independent producers with an annual production of no more than 70,000 litres of sugary beverages. Subject to State aid approval by the European Commission, an exemption also applies to businesses with an annual production of up to 1 million litres.

- **Structure of the excise duty system**
  The sugar-sweetened beverages tax is structured as a typical excise duty. The Act distinguishes between the formal duty suspension arrangement and release for consumption. As a general rule, the excise duty becomes chargeable upon the release for consumption of the excise goods by the tax warehousekeeper. The tax warehousekeeper is required to submit the corresponding excise duty returns.

3 Outlook and consequences for the practice

The German Federal Government is moving away from its previous voluntary approach towards a new national excise duty. In addition to the financial burden of the tax, a multitude of implementation issues arise for the manufacturers and wholesalers directly affected. These range from managing the administrative burden (impact analysis, organising the submission of excise duty returns, obtaining the necessary licences – eg for operating a tax warehouse, adjustments to the transport of goods) through to issues concerning the reformulation of products and contractual matters (such as options for adjustment in the case of long-term supply contracts with fixed price agreements). As the Act is due to come into force as early as July 2027 and does not provide for any transitional periods, preparations should be initiated at an early stage. In addition to the German Federal Government, the German Federal States are also likely to benefit from the sugar-sweetened beverages tax as recipients of the revenue generated by VAT. The expected price increases for sugary beverages will, at the same time, lead to an increase in the taxable amount. Unlike sugar itself, the drinks covered by the ZGStG are subject to the standard VAT rate of (currently) 19%.

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