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Tax Increases, Raw Tobacco and Protecting Revenues

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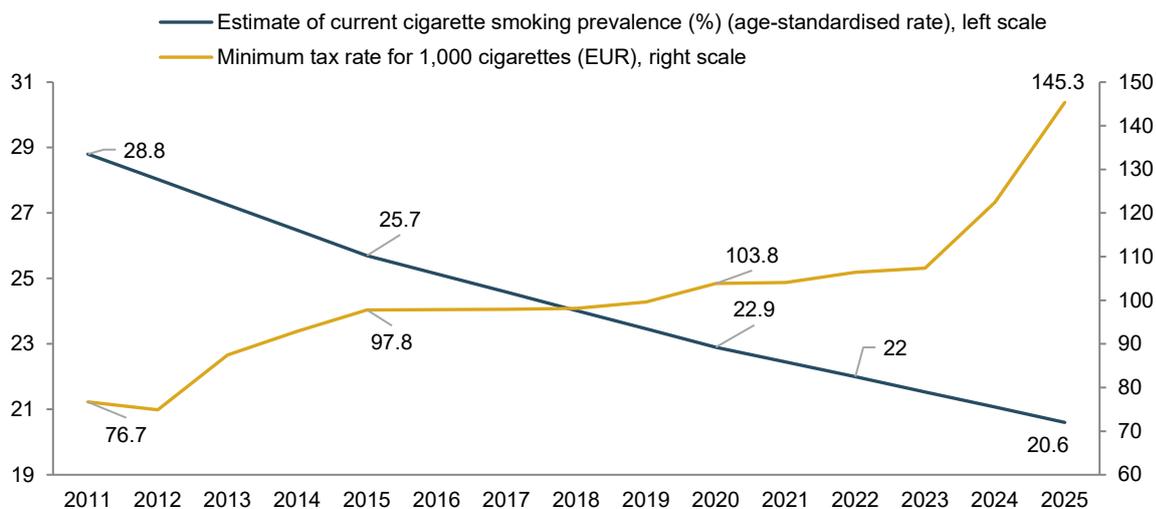
Poland Case Study: Tax Increases, Raw Tobacco and Protecting Revenues

1. TOBACCO TAX INCREASES: HIGHER REVENUE AND LOWER SMOKING PREVALENCE

Poland has historically had high smoking rates. **In 2010, the estimated smoking prevalence was 28.8%, but it dropped to 20.6% in 2025. This decline reflects major tobacco tax reforms – the minimum excise duty¹ in Poland now stands at EUR 145.3 per 1,000 cigarettes (Figure 1), exceeding the EU minimum rate by 61%.**

- › Excise duties on tobacco increased in the early 2010s but remained relatively unchanged between 2015 and 2019.
- › In 2020, a schedule was introduced for the systematic increase of excise duties over the 2023-2027 period.
- › A tax reform implemented in the beginning of 2025 raised the minimum tax rate on cigarettes to approximately EUR 145.3 per 1,000 cigarettes.
- › Despite high taxes, Poland currently has a very small market share of the illicit consumption of cigarettes – around 5% in 2024, according to Euromonitor estimates (Blecher et al. 2015).

Figure 1 / Cigarette smoking prevalence (age-standardised rate, in %) and minimum excise duty per 1,000 cigarettes (EUR) in Poland



Sources: Taxes for Europe Database (TEDB) and WHO, The Global Health Observatory Database

¹ The minimum excise duty for the year is calculated as the average of the two values reported to the European Commission each year (in January and July).

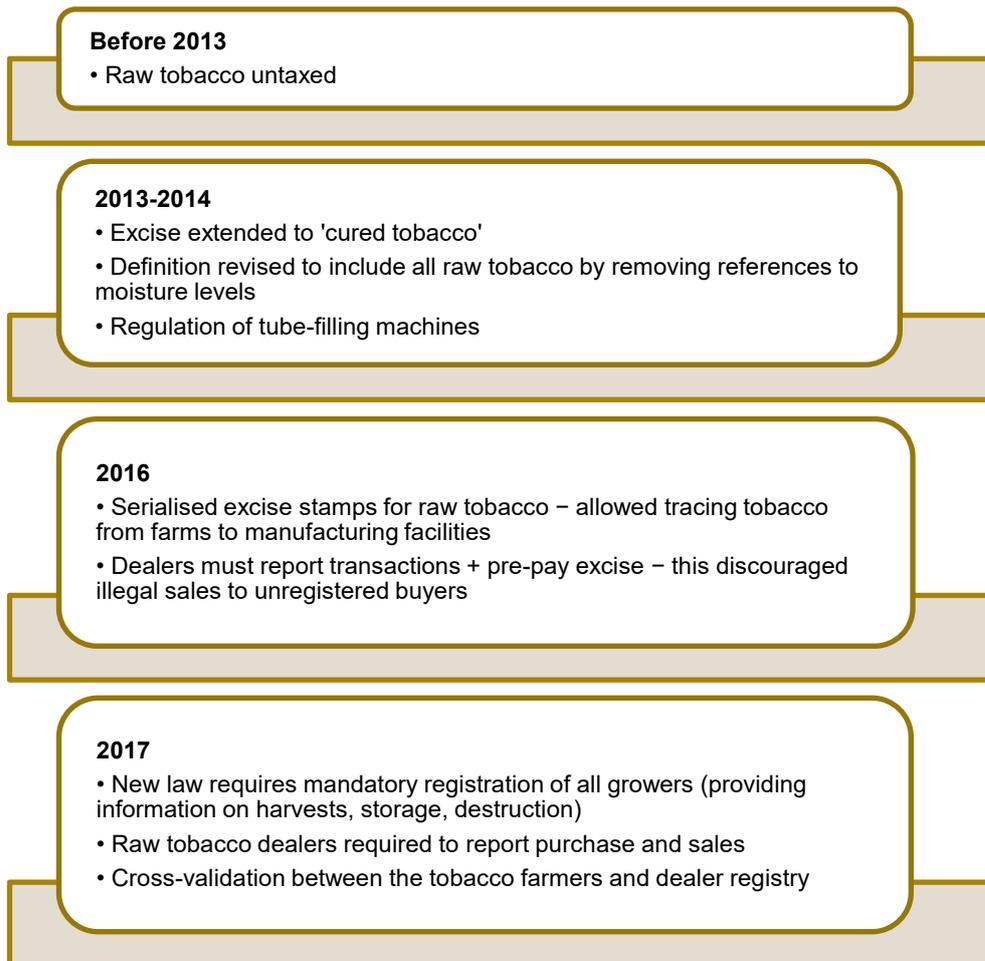
2. SUCCESSFULLY MANAGING RAW TOBACCO TO PROTECT HEALTH AND REVENUE

In addition to the excise tax reform, Poland implemented **several important policies regulating raw tobacco in order to reduce tax evasion that posed a threat to both government revenue and public health**. The summary below draws on and is inspired by Balwicki et al. (2020).

Prior to 2013, Poland did not tax raw tobacco. This regulatory gap created a large price disparity between taxed smoking tobacco (and cigarettes) and untaxed raw leaf. As a result, many consumers were increasingly purchasing raw, untaxed tobacco for hand-rolled cigarettes. Closing this loophole was essential to protect tax revenue and restore integrity in the tobacco market.

An excise tax on raw tobacco was introduced in 2013, and a whole set of tobacco control reforms followed in the subsequent years. The evolution of the reform is presented in Diagram 1.

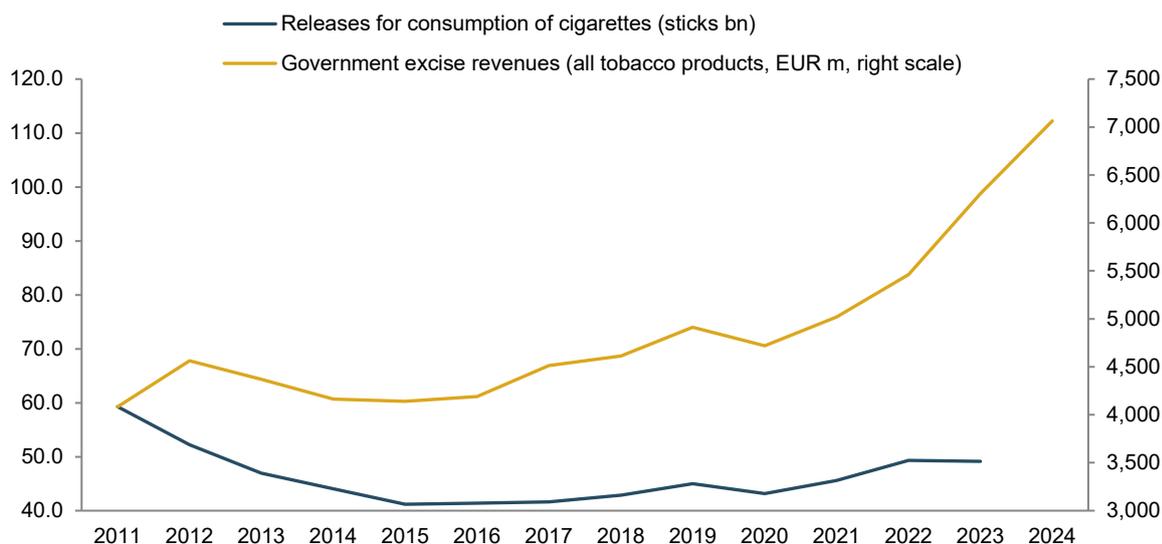
Diagram 1 / Steps to secure the tobacco supply chain in Poland



Source: Balwicki et al. (2022)

The completion of the reform led to a **reversal in the excise revenue trend in 2017, when the revenue began to recover** (Figure 2) as some consumers switched back to manufactured cigarettes due to the higher cost of hand-rolled cigarettes.

Figure 2 / Cigarette consumption and tobacco tax revenues per year (2011-2025)



Source: Taxes for Europe Database (TEDB)

Poland's reforms offer a valuable example for other countries by demonstrating how higher tobacco taxes combined with digital tracking can effectively reduce illicit trade and protect government revenues while also reducing smoking prevalence. They also highlight the importance of regulating raw tobacco and the entire supply chain – a principle now reflected in the new Tobacco Taxation Directive (TTD), which introduces raw tobacco as a separate taxable category.²

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² The new TTD introduces a separate tax category for raw tobacco, with a zero minimum rate. The main objective is to strengthen control over inputs in the production process (aimed at illicit manufacturing of tobacco products) without placing an additional tax burden on farmers.

IMPRESSUM

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