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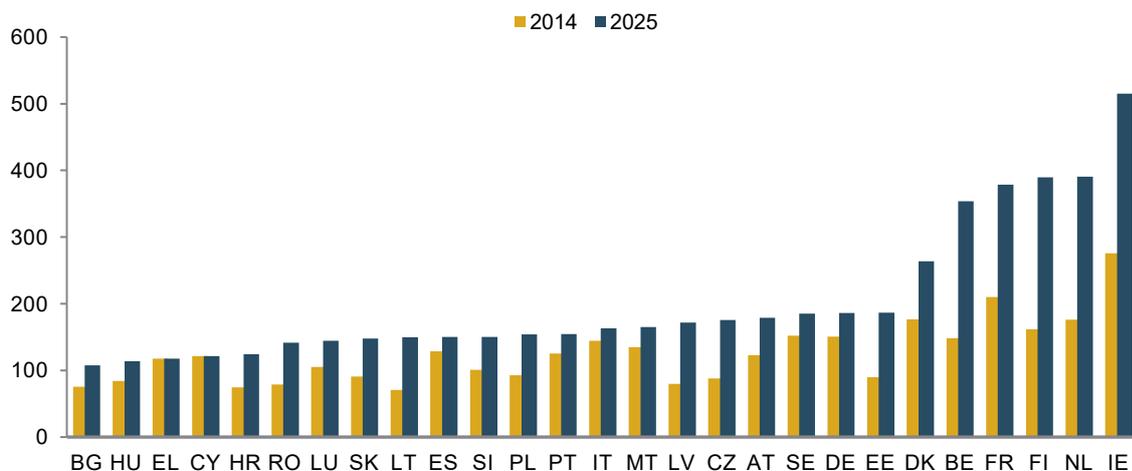
Tobacco Taxes in the EU: Tax Rates, Affordability and Revenues 2014-2025

1. LARGE DIFFERENCES IN TOBACCO TAX INCREASES ACROSS EU MEMBER STATES

Since the adoption of the European Union's Tobacco Tax Directive (TTD), **tobacco taxes have increased across all EU countries, although at widely varying rates** (Figure 1). This impedes the functioning of the internal market due to the increasing tax differences across member states.

As the (current) TTD became effective on 1 January 2014, we take this as the starting point for our analysis.

Figure 1 / Minimum tax rate per 1,000 cigarettes in nominal terms, EUR

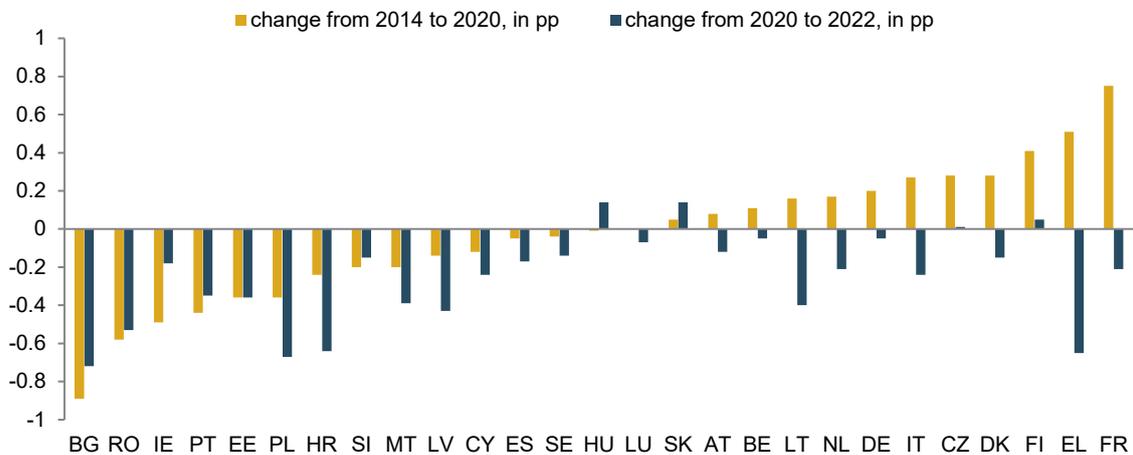


Source: Taxes for Europe Database (TEDB); authors' calculations. Data for 2014 refers to the situation on 1 January 2014. Data for 2025 refers to the situation on 1 July 2025.

2. CIGARETTES BECAME MORE AFFORDABLE: TAX INCREASES DID NOT KEEP UP WITH INFLATION

Between 2014 and 2020, the affordability of cigarettes increased in most countries because the excise tax did not keep up with general inflation and growing GDPs. This is visible from the orange bars in Figure 2, which show the changes in the share of GDP required to buy cigarettes. An increase means that the cigarette affordability declined during that period, as we see, for example, in France, Finland, Denmark and Czechia. However, from 2020 to 2022, the affordability of cigarettes increased in nearly all countries because tobacco taxes did not keep up with general inflation, which surged to about 10% across the EU. **These outcomes underscore the need to adjust cigarette taxes for inflation, a point recognised in the new (revised) TTD proposal.**

Figure 2 / Changes in % of GDP per capita required to purchase 2,000 cigarettes of best-selling brand across two periods

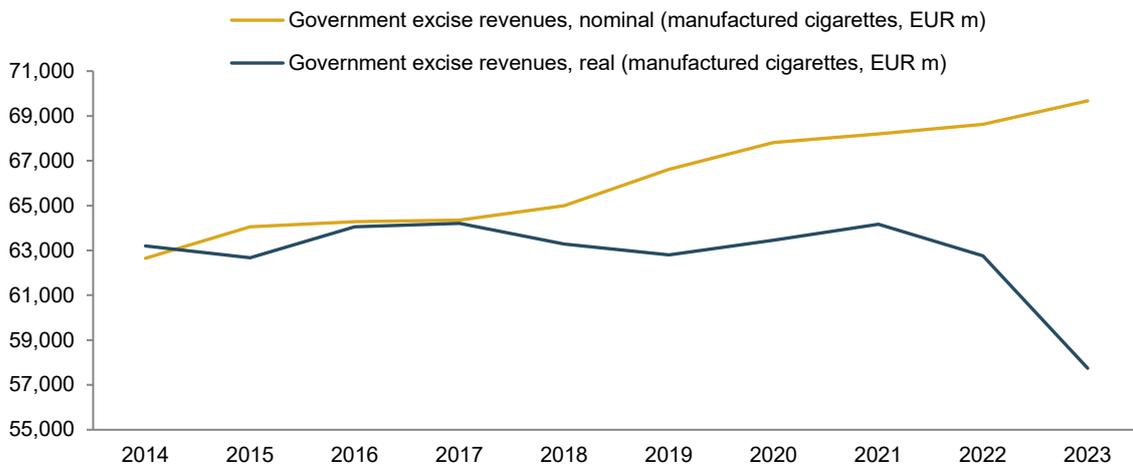


Source: World Health Organization (WHO), The Global Health Observatory Database

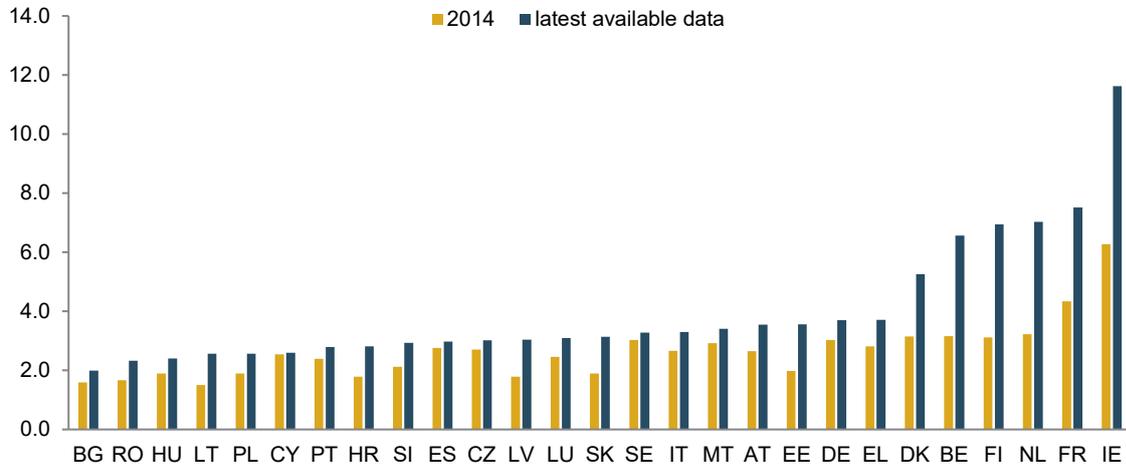
3. STRONGER TOBACCO TAXATION INCREASES DELIVERED SIGNIFICANT FISCAL GAINS

Across the EU, there is a clear upward trend in tobacco tax revenues in nominal terms: an 11.2% rise in 2023 compared with 2014 (Figure 3). The tax yield per pack has also increased to varying degrees in all member states except Cyprus (Figure 4). However, if inflation is considered, **the real excise revenues have fallen because taxes have not been adjusted for inflation** (a decline of 8.6% in 2023 compared to 2014).

Figure 3 / Government excise revenues – nominal and real (manufactured cigarettes, EUR m)



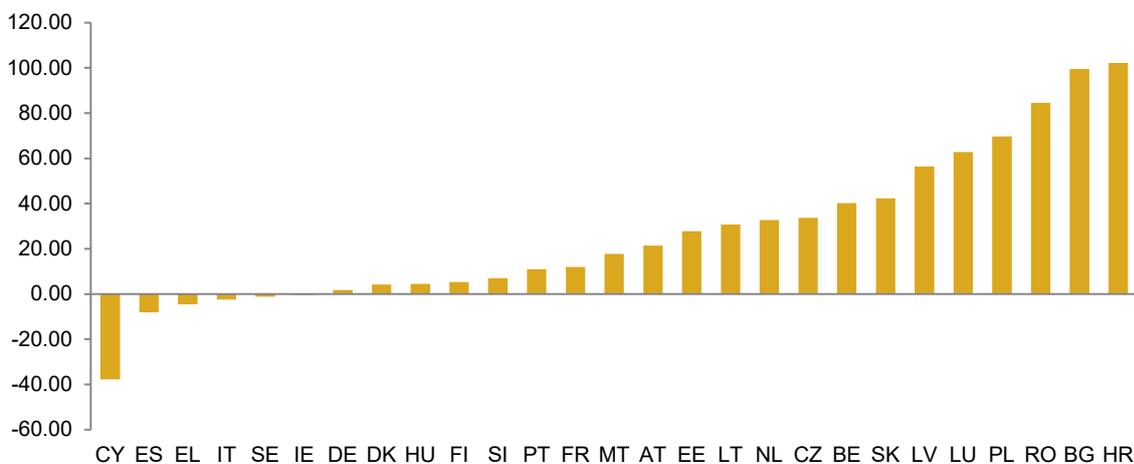
Source: TEDB; authors' calculations. Government revenues represent the sum of revenues across all individual countries.

Figure 4 / Government excise revenues in nominal terms per cigarette pack, EUR

Source: TEDB; authors' calculations. Latest available data: 2024 for most countries; 2023 for Czechia, France, Malta, Poland, Portugal and Romania; and 2022 for Austria, Hungary, Lithuania and Sweden.

At the country level, more than 20 EU member states receive more revenues today than in 2014 (Figure 5). **At the top of the list are countries that had relatively low excise levels but implemented sizable increases between 2014 and 2025, such as Croatia, Poland and Romania.**

However, some member states have lower excise revenues today than in 2014. The reasons for that differ. **In most of these countries – including Cyprus, Spain, Greece and, to a lesser extent, Sweden and Italy – the main driver for declining excise revenues appears to be the absence of meaningful tax reforms during this period** (López-Nicolás et al. 2024; OECD 2024).

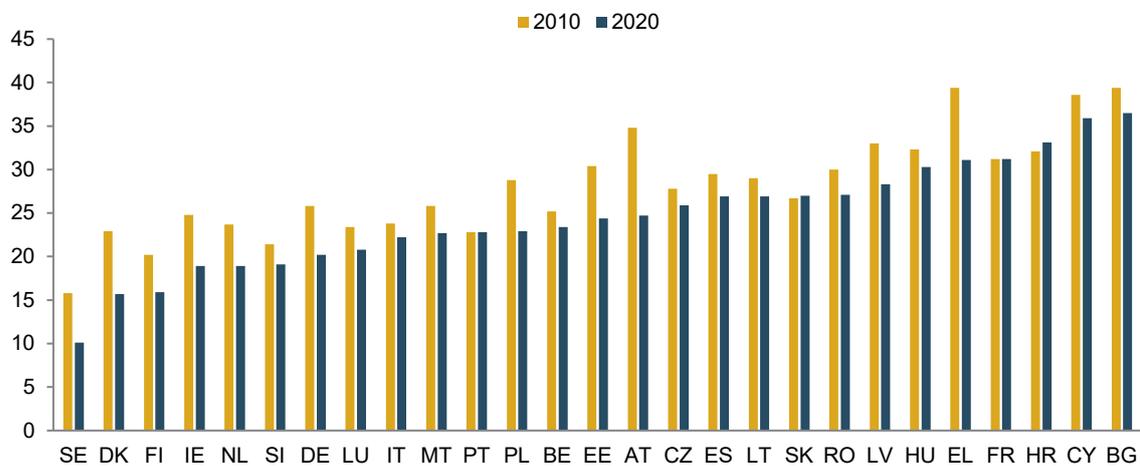
Figure 5 / Change in nominal excise tax revenues (manufactured cigarettes, change from 2014 to latest available data, in %)

Source: TEDB. Latest available data: 2024 for most countries; 2023 for Austria, France, Hungary, Malta, Portugal, Romania and Spain.

In Ireland, where the tax rate was the highest in the EU in 2014, further substantial excise increases were followed by sizeable reductions in cigarette consumption – a clear victory for public health. Given that Irish rates are more than double that of many member states, it shows that **these countries still have plenty of room for further excise tax increases.**

In the health domain, higher tobacco taxes are associated with improvements in health outcomes (Figure 6). According to World Health Organization estimates, the average smoking prevalence in the EU (unweighted) has declined from 28.1% in 2010 to 24.6% in 2020. A retrospective study estimates that affordability has accounted for roughly 40% of the decline in consumption and smoking prevalence in the EU between 2009 and 2019 (Economisti Associati 2019).

Figure 6 / Current cigarette smoking prevalence in 2010 and 2020, age-standardised rate, in %



Source: World Health Organization (WHO), The Global Health Observatory Database

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