

JUNE 2026

wiiw HEPA Research Study 17

Institutional and policy challenges in advancing tobacco control in Kosovo

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This research was funded by the Vienna Institute for International Economic Studies (wiiw), which is a partner of the Bloomberg Philanthropies' Initiative to Reduce Tobacco Use. The views expressed herein do not necessarily reflect the views of wiiw or Bloomberg Philanthropies.

Abstract

Kosovo faces a high smoking prevalence of 36.4%, which stands nearly 50% higher than the EU average of 25.3%. Tobacco remains highly affordable due to low excise rates, weak regulatory enforcement, and insufficient alignment with international standards, all of which have sustained elevated consumption levels. Although excise rates have more than doubled since 2012, reaching EUR 55/1,000 cigarettes today, they still remain far below the EU minimum threshold of EUR 90/1,000 cigarettes.

This study evaluates the current state of the legal framework governing tobacco taxation in Kosovo, complementing the analysis with insights from expert interviews. The findings reveal critical gaps in policy coordination and enforcement. The absence of a formal excise calendar creates uncertainty for both policy makers and the private sector, especially considering how important excise calendars are to prevent the increase of illicit tobacco markets as a result of unexpected price spikes. Moreover, coordination between the Ministry of Finance, Kosovo Customs, and the Ministry of Health is limited, with no unified mechanism to balance revenue and public health goals. These institutional and legal shortcomings undermine the effectiveness of fiscal measures aimed at reducing tobacco use and aligning Kosovo with EU standards.

We recommend that policy makers adopt a multi-year excise calendar aligned with the EU Tobacco Taxation Directive, strengthen institutional coordination and transparency, and conduct regular, high-quality surveys to track smoking prevalence, consumption patterns, and policy impacts. While not exhaustive, implementing these recommendations could potentially reduce smoking prevalence, leading to improved public health and enhanced household welfare.

Keywords: Excise, Taxation, Tobacco, Smoking

JEL classification: H23, I12, I18, L66

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1. Introduction

Tobacco use remains one of Kosovo's most significant public health burdens. Although excise rates have gradually increased over the past decade, smoking prevalence is still among the highest in Europe, and tobacco products remain highly affordable. These trends persist at a time when Kosovo is seeking closer alignment with standards of the European Union (EU) and the World Health Organization (WHO), making more effective tobacco control essential not only for public health but also for broader fiscal and regulatory reforms.

This study analyses the institutional and policy factors that shape tobacco control in Kosovo, with particular attention given to taxation, affordability, and enforcement. Using a combination of customs data, survey evidence, legal and policy analysis, and insights from semi-structured interviews with experts, the brief identifies key gaps that undermine current interventions and limit progress. In doing so, it highlights the disconnect between existing legislation and on-the-ground enforcement, the absence of long-term fiscal planning, and the weak integration of public health objectives into fiscal decision making. The analysis aims to provide policy makers with a clearer understanding of where current approaches fall short and what reforms are needed to align Kosovo's tobacco control framework with EU and international best practices.

The structure of the study is as follows: The literature review outlines regional and international evidence on smoking prevalence, price responsiveness, and illicit tobacco markets. The methodological approach describes the data sources and research methods employed in the study. Section 4 examines demand dynamics in Kosovo, focusing on prevalence, intensity, and demographic patterns. Section 5 turns to the supply side, analysing import and export trends, product composition, and the fiscal significance of tobacco taxation. Section 6 reviews the legal framework governing tobacco control and taxation. Section 7 synthesises findings from expert interviews, highlighting institutional coordination challenges, evolving legislation, alignment with EU standards, and the economic and health impacts of current tax policies. It concludes with targeted recommendations to strengthen excise policy, enhance institutional coordination, and support a more coherent and evidence-based approach to tobacco regulation.

2. Literature review

High smoking prevalence rates prove critical concerns for public health, and the Western Balkans are characterised by high levels of smoking (Zubović & Vladislavljević, 2019). Based on WHO data for 2024, Serbia records the highest smoking rate among the included countries, with 39.5%, followed by Bosnia and Herzegovina, with 36.2%, and Montenegro, with 32%. Albania records the lowest smoking rate, with 21.9%, while data for Kosovo is missing (WHO, 2024).

Smoking prevalence has been closely linked to the price and affordability of cigarettes (Nargis et al., 2021). When combined with rising income among smokers, lower cigarette prices increase affordability and, consequently, demand. For Kosovo, estimates of the price elasticity of cigarette demand show that a 10% increase in the prices of cigarettes reduce its consumption by 6.8% (Palushi et al., 2018). When using Household Budget Survey (HBS) data, the same analysis by Palushi et al. (2018) shows an elasticity of -0.288, which is way smaller, but not uncommon, suggesting that a 10% increase in cigarette prices reduces consumption by 2.88%.

Given the established link between cigarette consumption and prices, the presence of an illicit tobacco market poses a particular challenge in the Western Balkans (WHO, 2025a), especially as rising prices of manufactured cigarettes lead consumers to substitute with roll-your-own (RYO) tobacco (Vladislavljević et al., 2021a). As the tobacco products sold in the illicit market are untaxed, they are cheaper and thereby more accessible, particularly to unemployed, lower-income individuals (Tobacconomics, 2023). In addition to endangering public health, the illicit market disrupts the economy by depriving the state of tax revenues. In the Western Balkan countries, as of 2019, 20.4% of current smokers evaded taxes on tobacco products. Evasion was higher among RYO tobacco (86.7%) compared to manufactured tobacco (8.6%) (Vladislavljević et al., 2022). Yet, the degree of evasion varied among countries, with it being higher in countries with weak institutional settings, highlighting the importance of having strong governing bodies and institutions. Tax evasion related to manufactured cigarettes (MCs) was 4.3% in Kosovo, which is relatively low compared to countries like Montenegro (61.2%) and Bosnia and Herzegovina (18.6%). While tax evasion related to RYO cigarettes was second-lowest in Kosovo (79.3%), it was lowest in Albania (69.2%). These results put Kosovo in first place when it comes to the lowest prevalence of tax evasion, with a total of 7.1% (Vladislavljević et al., 2022). However, positive improvements have been observed in the Western Balkans since then. In Montenegro, the percentage of the illicit market decreased to 21.4%, particularly driven by the government's enactment of a law prohibiting the storage of cigarettes in the Port of Bar, the country's main free-trade zone (Tobacconomics, 2023). Moreover, Montenegro, North Macedonia, and Serbia signed the WHO's Protocol to Eliminate Illicit Trade in Tobacco Products, a significant step in combating the illegal trade of tobacco products (Vladislavljević et al., 2022).

Despite lower evasion rates, Kosovo is characterised by the highest share of purchases of illicit tobacco in legal stores in the region (68.9%). This can be explained by the fact that the law in Kosovo does not specify the legal points of sale for tobacco (Official Gazette of Republic of Kosova, 2013). This further raises questions about the reliability of the aforementioned results on low evasion rates in the country

because, as observed, the trading of illicit cigarettes happens in legal settings, often going undetected by buyers. This, in turn, leads to misreporting, which underestimates the actual rate of tax evasion in the survey results for the case of Kosovo.

The high smoking prevalence rates in Kosovo are a result of low tax rates and weak institutional coordination settings. As such, this study aims to provide an overview of the current legal framework of tobacco taxation in the country. The analysis is also paired with some expert interviews to help to better understand the underlying factors driving the high prevalence rates.

3. Methodological approach

This study adopts a mixed-method approach combining primary and secondary data to evaluate the structure, effectiveness, and implications of tobacco taxation in Kosovo. Secondary data were sourced from Kosovo Customs, covering import and export records for both conventional and electronic cigarettes from 2015 to 2024. These data enable a better understanding of trade flows and border-imposed taxes while also guiding the analysis on demand and supply trends of tobacco products in Kosovo.

In addition, extensive desk research was conducted to examine the evolution and current state of Kosovo's legal framework on tobacco taxation, complemented by best practices from other countries. Primary data was collected through two semi-structured interviews with subject-matter experts. The topics discussed during these semi-structured interviews were related to the effectiveness of fiscal policies – specifically, taxes on tobacco products – in addressing the prevalence of tobacco use in Kosovo, followed by discussions on changes in the legal framework in relation to tobacco products (see interview questions in the Appendix).

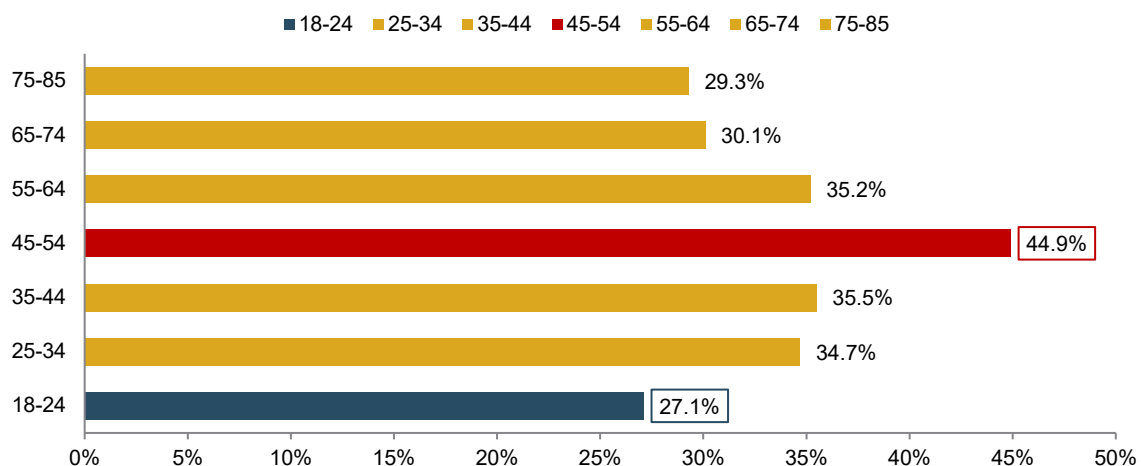
To further contextualise consumption behaviour, the study uses the nationally representative data of the Survey on Tobacco Consumption in Southeastern European Countries (STC-SEE) from Prekazi and Pula (2020), based on a 2019 sample of 1,000 adults, supplemented with prevalence data from the WHO. These data permit a comparative analysis to be made on prevalence rates differentiated by gender, age, education level, and other demographic characteristics. Together, these data sources provide a comprehensive foundation for understanding the interactions between the taxation, regulation, and use of tobacco in Kosovo.

4. Demand for tobacco products

Current smoking prevalence in Kosovo is among the highest in European countries, standing at 36.4% (Prekazi and Pula, 2020), compared to the EU average of 25.3% (WHO, 2025c). *Current smoking prevalence* refers to the percentage of the population aged 15 years or above who currently use any tobacco product¹ on a daily or non-daily basis (WHO, 2025c). On the other hand, *daily smoking prevalence* refers to the population aged 15 years or above who report that they smoke tobacco every day (OECD, 2023). Overall, the daily smoking prevalence stands at 34.4% in Kosovo, with twice as many men (48.9%) smoking on a daily basis than women (23.8%) (Prekazi and Pula, 2020).

Differentiating by age groups, the highest daily smoking prevalence is observed among individuals aged 45-54 (44.9%), while those aged 18-24 exhibit the lowest prevalence rate (27.1%) (see Figure 1).

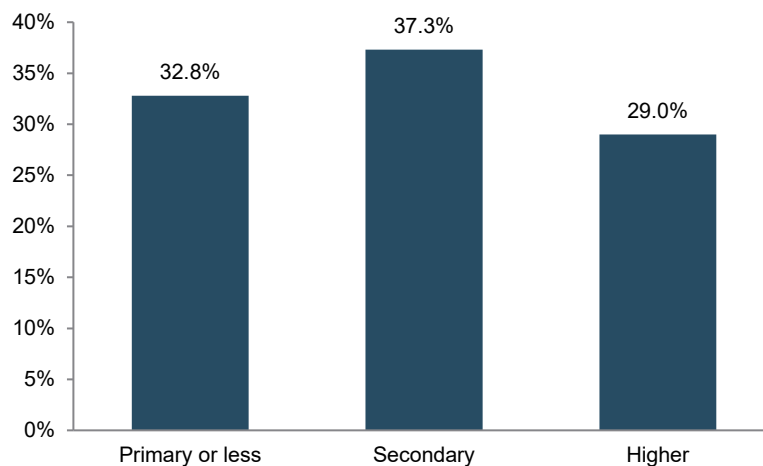
Figure 1 / Daily smoking prevalence rate in Kosovo, by age group (%)



Source: Prekazi and Pula (2020).

Educational differences also emerge, as those with secondary education score the highest smoking prevalence (37.3%), followed by individuals with primary or lower education (32.8%). On the other hand, individuals with higher education score the lowest daily prevalence (29%) (see Figure 2).

¹ Tobacco products include cigarettes, pipes, cigars, cigarillos, waterpipes (hookah, shisha), bidis, kretek, heated tobacco products (HTPs), and all forms of smokeless (oral and nasal) tobacco. Tobacco products exclude e-cigarettes not containing tobacco, 'e-cigars', 'e-hookahs', JUUL and 'e-pipes' (WHO, 2025c).

Figure 2 / Daily smoking prevalence rate, by education level (%)

Source: Prekazi and Pula (2020).

Smoking intensity is considerably higher among men, with 80.1% smoking more than 20 cigarettes daily. On the other hand, 47% of women smoke more than 20 cigarettes daily, and 37.4% smoke fewer than 10 cigarettes daily (see Table 1).

Those living in urban areas have higher smoking intensity (72.4% smoke 20+ cigarettes daily) compared to those living in rural areas (67.1%). Despite this difference, smoking intensity remains high among both types. Across all age groups, heavy smokers comprise the largest share, ranging from 72.9% among those aged 18-24 to 66.6% in the later cohorts (65-74 years).

Notably, even individuals with higher education, who have lower smoking prevalence rates, tend to smoke heavily once they do, with 72.2% classified as heavy smokers.

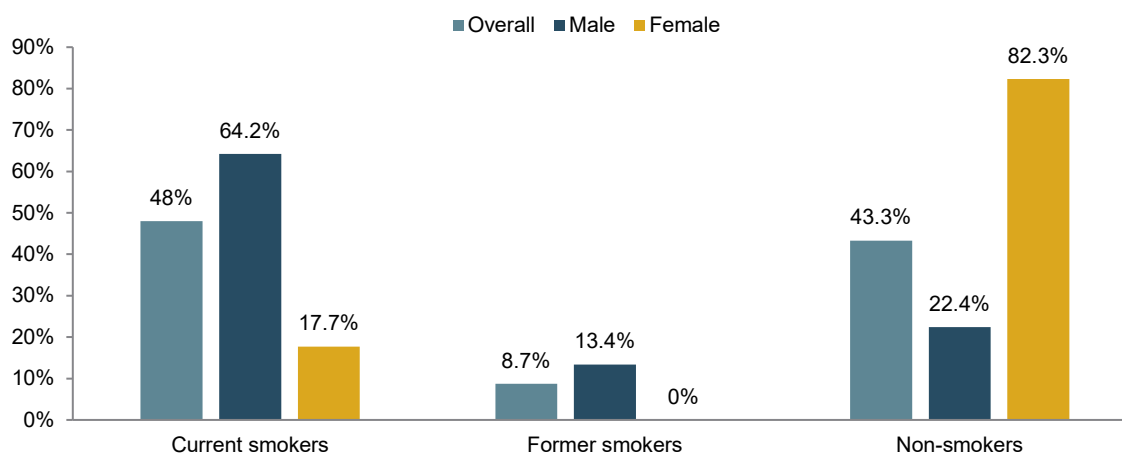
Income only plays a limited mitigating role. Smoking intensity remains high across all income levels, with most smokers falling into the heavy-smoker category. Only among individuals who earn more than EUR 1,600 per month do we observe a higher share of light smokers, who comprise 56.3% of the total.

Considering the relatively high smoking rates, citizens were then asked to assess whether they have been exposed to events sponsored by or connected with cigarette brands, e-cigarette brands, or tobacco companies. Based on their smoking status, 48% of current smokers, 8.7% of former smokers, and 43.3% of non-smokers reported exposure to such events in the past six months. These figures suggest that tobacco-related promotional activities reach not only active smokers, but also a substantial share of non-smokers, potentially contributing to the normalisation of tobacco use in the broader population (see Figure 3).

Table 1 / Smoking intensity of current daily smokers based on demographic characteristics

		10 or fewer cigarettes/day – <i>light smokers</i>	11-19 cigarettes/day – <i>moderate smokers</i>	20+ cigarettes/day – <i>heavy smokers</i>
Age	18-24	15.9	11.2	72.9
	25-34	14.6	8.6	76.8
	35-44	29	4.8	66.2
	45-54	22	15.3	62.7
	55-64	24.1	3.8	72.1
	65-74	18.4	15	66.6
	75-85	3.6	41.2	55.2
Gender	Male	12	7.9	80.1
	Female	37.4	15.6	47
Type of residence	Urban	16	11.5	72.4
	Rural	23.4	9.4	67.1
Education level	Primary or less	21.3	12.6	66.1
	Secondary	18.7	9	72.3
	Higher	21.7	6.1	72.2
Household income (EUR/month)	400 or less	23.3	5.9	70.8
	401-800	26.3	16.8	56.9
	801-1,200	12.6	12.9	74.5
	1,201-1,600	0	7.1	92.9
	Above 1,600	56.3	0	43.7

Source: Prekazi and Pula (2020).

Figure 3 / Adults who have been exposed to any event sponsored or related to the tobacco industry in the past six months, by smoking status and gender (%)

Source: Prekazi and Pula (2020).

5. Supply of tobacco products

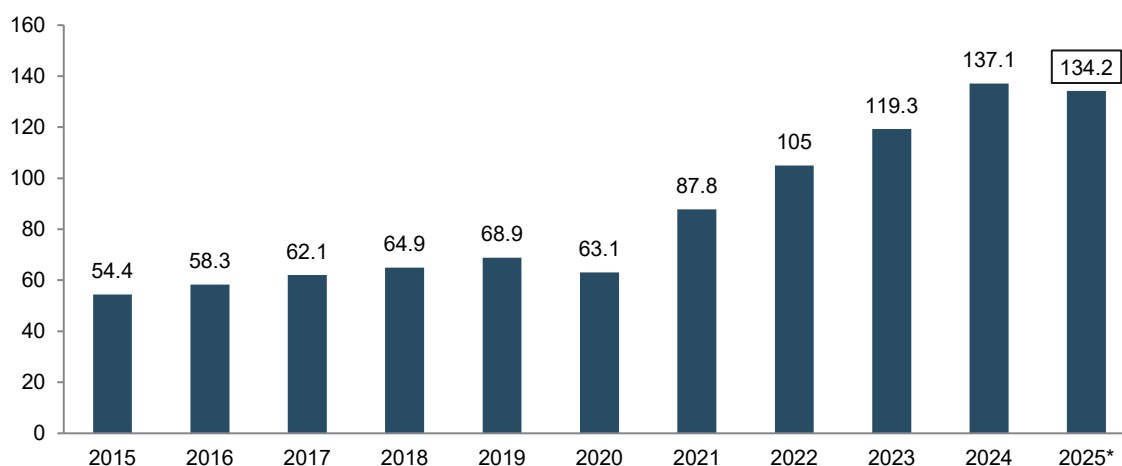
This section provides an overview of import and export trends for tobacco products in Kosovo based on data from Kosovo Customs covering the 2015-2024 period.

5.1. IMPORTS OF TOBACCO PRODUCTS

The total value of imports in Kosovo reached EUR 6.33 billion in 2024, an increase of 18% compared to 2023. Tobacco product imports totalled EUR 137 million in 2024, increasing by 15% compared to the previous year and by 152% compared to 2015 (see Figure 4).

For 2025, data is available from January until October. During this time period, the total value of imports of tobacco products totalled EUR 134 million, an increase of 19.8% compared to the same period in 2024. These numbers showcase a significant increase in imports of tobacco products in parallel with demand growth in Kosovo over the years.

Figure 4 / The value of imports of tobacco products, 2015-2025 (EUR million)

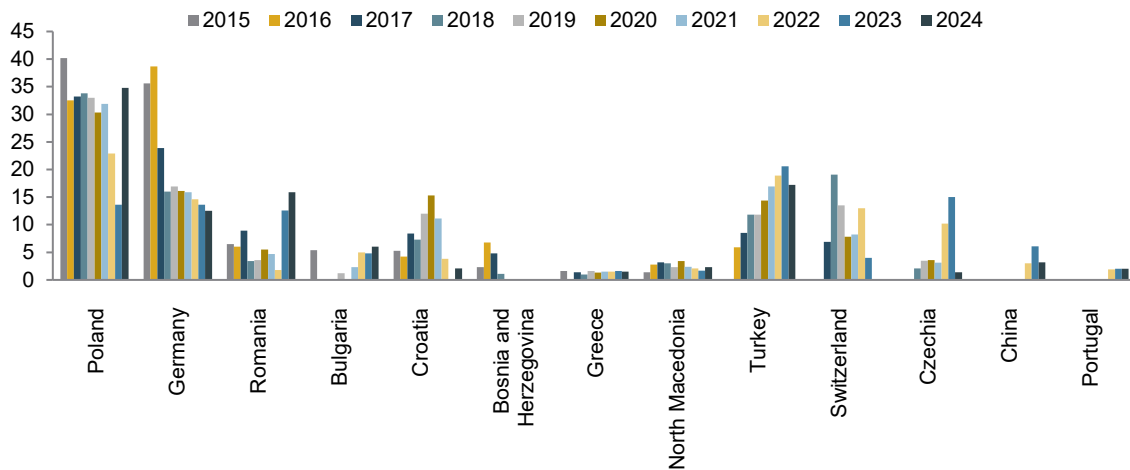


Note: * Data for 2025 only covers January-October. Comparisons between 2025 and 2024 in the text are made for the same period (January-October).

Source: Kosovo Customs.

The structure of countries who have exported their tobacco products to Kosovo has varied over time. Poland remains Kosovo's main supplier, accounting for 40% of total imports in 2015 (see Figure 5) and a cumulative share of 30% over the 2015-2024 period (see Figure 6). Germany follows in second place with a 20% cumulative share, while imports from Turkey have increased over the years, reaching 12% of the total share.

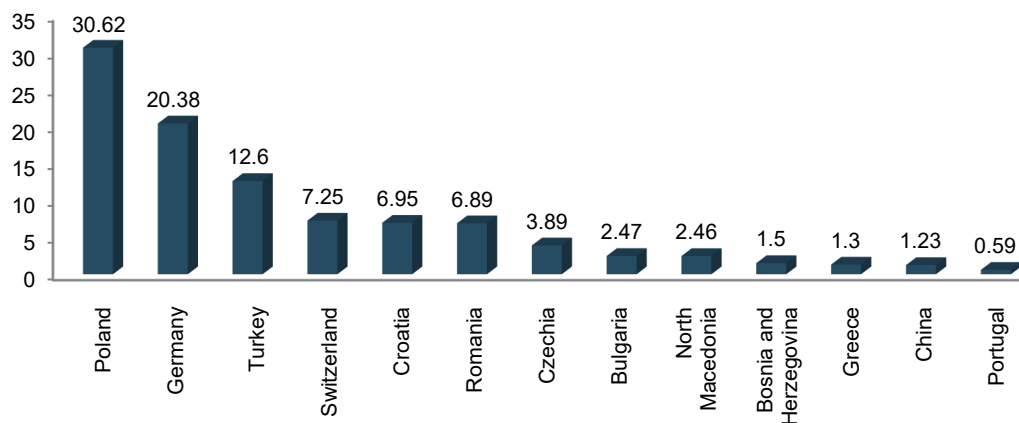
Figure 5 / Main importing countries of tobacco products, share of all tobacco product imports, 2015-2024 (%)



Source: Kosovo Customs and author's own calculations.

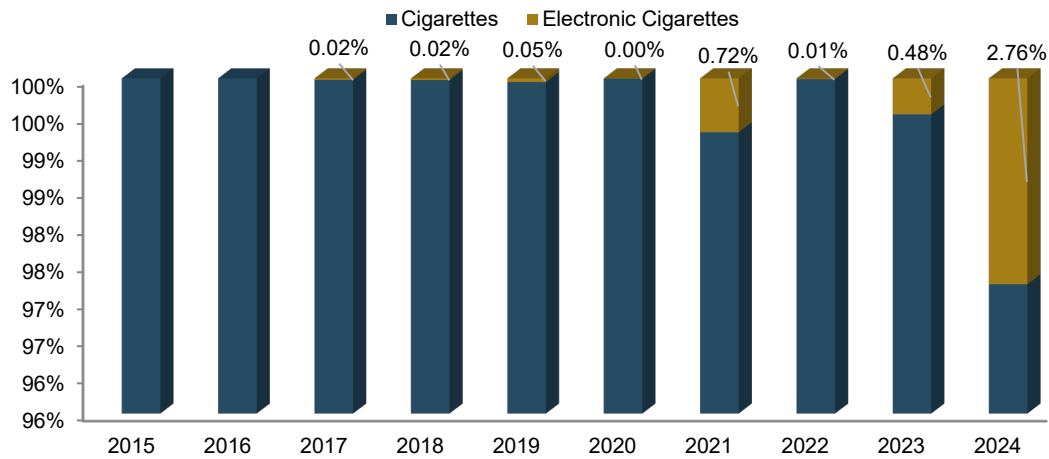
Other countries (e.g. Switzerland, Croatia, and Czechia) contribute smaller and more variable shares.

Figure 6 / Main importing countries of tobacco products, 2015-2024 (cumulative share in %)



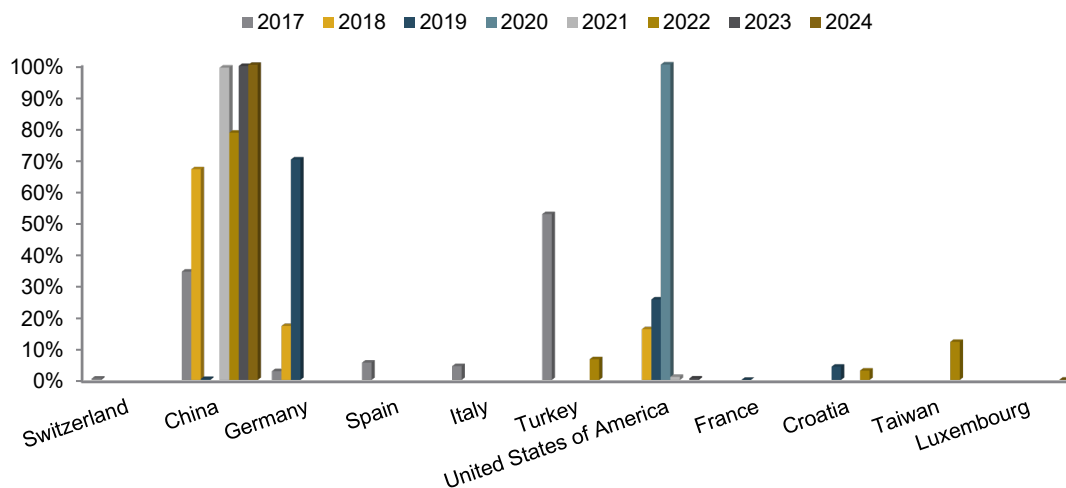
Source: Kosovo Customs and author's own calculations.

Tobacco imports to Kosovo are categorised into traditional cigarettes and electronic cigarettes. From 2015 to 2016, virtually all imports consisted of traditional cigarettes. Based on the available data, electronic cigarettes began entering the market in 2017, and their share of imports has grown gradually. In 2021, electronic cigarettes accounted for 0.72% of total tobacco imports. They decreased to 0.48% in 2023 before increasing to 2.76% in 2024 (see Figure 7).

Figure 7 / Share of tobacco product types in total imported tobacco products, 2015-2024, (%)

Source: Kosovo Customs and author's own calculations.

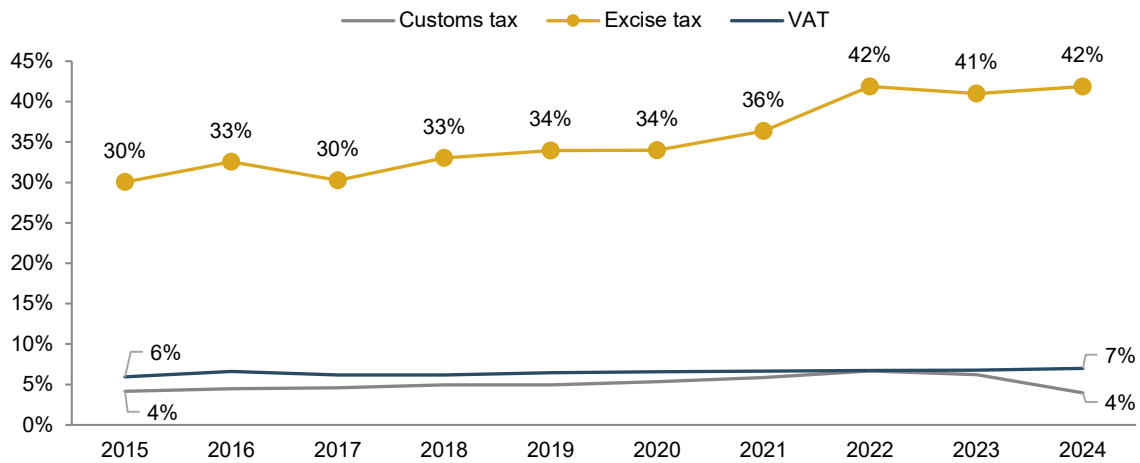
Since 2021, China has been the leading exporter of electronic cigarettes to Kosovo, accounting for 99% of imports. The United States, Germany, and Turkey have also played an important role in exporting electronic cigarettes (and other products under this classification) to Kosovo during this period.

Figure 8 / Main importing countries of electronic cigarettes, share of all electronic cigarette imports, 2017-2024 (%)

Source: Kosovo Customs and author's own calculations.

Tobacco-related taxes – comprising custom duties, value-added tax (VAT), and excise taxes – have remained relatively stable in structure over time. Custom duties and the VAT have fluctuated between 4% and 6% of the total respective taxes on imports. In contrast, the excise taxes have increased steadily, from 30% in 2015 to 42% in 2024 (see Figure 9).

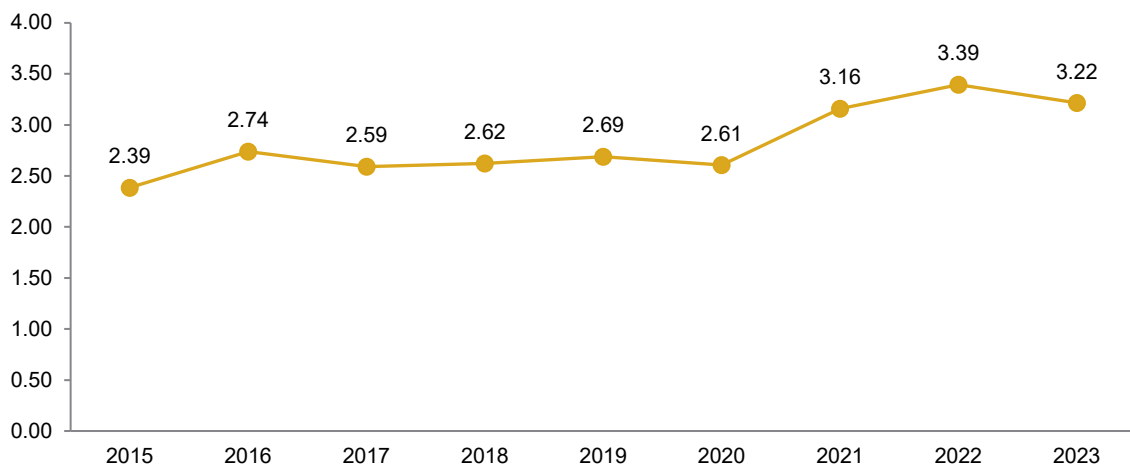
Figure 9 / Tobacco import revenues as a share of total taxes, 2015-2024 (%)



Source: Kosovo Customs and author's own calculations.

Similarly, the share of tobacco imports revenues as a share of GDP has fluctuated moderately over time, ranging from 2.39% in 2015 to 3.22% in 2023. A slight decline of 0.08 percentage points (pp) was observed in 2020, corresponding with a drop in imported tobacco volumes. This was followed by an increase, peaking at 3.39% in 2022, before declining by 0.17 pp in 2023.

Figure 10 / Tobacco import revenues as a share of total GDP, 2015-2023 (%)



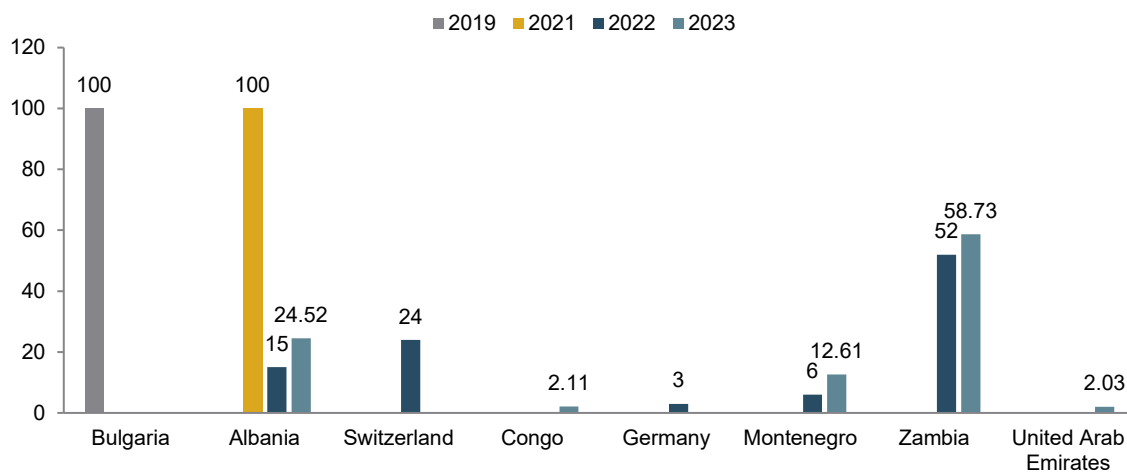
Source: Kosovo Customs and author's own calculations.

5.2. EXPORTS OF TOBACCO PRODUCTS

During 2024, the total value of exports in Kosovo reached EUR 990 million, marking a 21% increase from 2023, though a significant trade deficit persists. Tobacco exports remain negligible, as Kosovo has not produced tobacco products domestically since the early 2000s. Recorded exports therefore most likely represent re-exports.

Between 2015 and 2024, exports were only recorded in 2019 as well as from 2021 to 2023 (see Figure 11). In 2019, tobacco products were exported exclusively to Bulgaria. In 2021, the sole destination was Albania. In 2022, Zambia received 52% of Kosovo's tobacco exports, followed by Switzerland (24%) and Albania (15%), with the remainder going to Montenegro and Germany. In 2023, Zambia remained the largest destination (59%), followed by Albania (24%) and Montenegro (13%), while smaller shares went to Congo and the United Arab Emirates (UAE).

Figure 11 / Main exporting countries of tobacco products, 2015-2024 (%)



Source: Kosovo Customs and author's own calculations

6. Overview of the legal framework of tobacco taxation in Kosovo

While previous sections examined the demand and supply of tobacco products, this section explores the legal framework shaping tobacco control and taxation in Kosovo.

The legal framework for tobacco products has evolved, driven in part by the rapid emergence of new tobacco products that were not initially addressed under the Tobacco Control Law. Law No. 04/L-156 on Tobacco Control (Official Gazette of the Republic of Kosova, 2013) represents a comprehensive legal framework that regulates key aspects of tobacco use and industry oversight in Kosovo. It prohibits smoking in public spaces and workplaces; imposes strict restrictions on tobacco advertising, promotion, and sponsorship; enforces standardised packaging and health warning requirements; and includes measures to limit interference from the tobacco industry in public health policy making. The law was amended twice, in 2022 and 2023, to adapt to evolving regulatory needs based on the emergence of new tobacco products. In 2023, driven by ongoing regulatory uncertainties and ambiguities on the categorisation of novel tobacco products, the Ministry of Health, upon the request of the Kosovo Customs, initiated a new legislative process to amend and supplement the existing law. As a result, the Ministry finalised a draft law on the production, collection, marketing, and control of tobacco, tobacco products, and related goods. The draft law was approved by the government in December 2024 and forwarded to the Assembly; however, at the time of writing, it has yet to be adopted and now awaits review by the new legislature. The proposed legislation aims to consolidate various regulatory provisions currently scattered across various ministries, such as the Ministry of Agriculture and the Ministry of Trade, while also closing legal gaps that have allowed emerging tobacco products to circulate without clear legal classification or oversight.

Excise duties are regulated under Law No. 04/L-021 on Excise Tax on Tobacco Products, as amended in 2022 (Official Gazette of the Republic of Kosova, 2022a). This legal framework includes provisions for the taxation of tobacco products, with the excise base defined as follows:

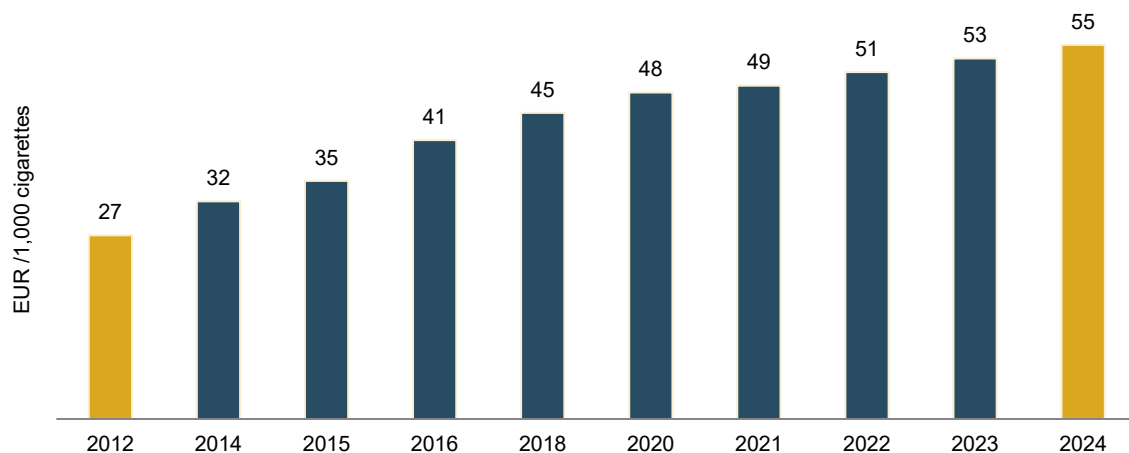
- (i) For cigarettes containing tobacco and tobacco substitutes, for one thousand (1,000) cigarettes;
- (ii) For cigars, cigarillos containing tobacco or tobacco substitutes, for one (1) kilogram net;
- (iii) For any other type of tobacco or its substitutes, for one (1) kilogram net, regardless of the tariff classification according to the Integrated Tariff of Kosovo (TARIK);
- (iv) For hookah tobacco (shisha), for one (1) kilogram net, in the entire quantity packaged inside the packaging;
- (v) For glycerine used for the production of tobacco products and its substitutes, for one (1) kilogram net, regardless of the tariff classification according to CIT;
- (vi) For liquid substances with or without nicotine used in disposable electronic cigarettes or refills for reusable e-cigarettes, the excise is calculated per one (1) millilitre of liquid, based on the total packaged quantity, regardless of its tariff classification under TARIK;

- (vii) For characteristic flavours or aromatic substances used in e-cigarettes or hookahs, the excise is also calculated per one (1) millilitre of liquid, applied to the full packaged volume, irrespective of TARIK classification;
- (viii) For heated tobacco, the excise duty is applied per one (1) net kilogram;
- (ix) For other new tobacco products or tobacco substitutes not mentioned above, the excise is applied per one (1) net kilogram, regardless of TARIK classification.

When it comes to setting its excise tax rates, Kosovo has followed consecutive five-year excise calendars for tobacco products, providing a predictable framework for gradual rate increases. This approach offers stability to the industry and helps to mitigate market volatility in terms of prices. Since 2012, the excise tax rate has steadily increased, from EUR 27/ 1,000 cigarettes to EUR 55 today (Government of Kosovo, 2020).² While the legislation in Kosovo is partly aligned with the EU Tobacco Taxation Directive (2011/64/EU), significant gaps remain. The current excise rate (EUR 55/1,000 cigarettes), stands well below the current EU minimum threshold (EUR 90/1,000 cigarettes). Economic, social, and political constraints make rapid harmonisation challenging, leaving tobacco both cheap and widely consumed.

Moreover, the most recent excise tax calendar expired in December 2024, and the Ministry of Finance has yet to issue a new decision regarding future rates. In the absence of a new calendar, the 2024 excise rates remain provisionally in effect.

Figure 12 / The evolution of excise rates in Kosovo, 2012-2024



Source: Government of Kosovo, 2020.

² Under the WHO Excise Directive, countries are required to adopt a mixed excise structure consisting of a specific excise tax (fixed amount per quantity) and an ad valorem excise tax (a percentage of the retail selling price). This mixed excise structure is recommended by the WHO, as it limits price gaps between cheap and premium brands, reduces opportunities for tax avoidance, and strengthens the public health impact of tobacco taxation. Unlike most European countries that adopt this mixed cigarette excise system, Kosovo only levies a specific excise tax on cigarettes. Albania also has a similar system.

In addition, Administrative Instruction (Health) No. 05/2023 on Combined Warnings (Official Gazette of the Republic of Kosova, 2023), issued by the Ministry of Health, is an important annex aimed at increasing consumer knowledge regarding the health effects of tobacco use in order to discourage uptake or relapse. Health warnings must cover 65% of the most visible surface in both sides of the package, and they must be in bold letters in both Albanian and Serbian. This has been a very aggressive policy, largely due to the fact that the image catalogues and health warnings are in line with the Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 concerning the manufacture, presentation, and sale of tobacco and related products.

7. Evidence from interviews with experts

7.1. EVOLUTION OF THE LEGAL FRAMEWORK

Kosovo's legal framework for tobacco regulation has evolved along two main dimensions: public health protection and fiscal regulation. The Law on Tobacco Control (No. 04/L-156), which was amended in 2022 and 2023, provides the core public health foundation. However, the rapid proliferation of new products – such as heated tobacco products (HTPs), electronic nicotine delivery systems (ENDSs), and electronic cigarettes – has outpaced the existing legal framework.

One interviewee observed that 'there is a gap or an operation of the tobacco industry with these products without a clearly defined legal coverage'. To address this gap, a new draft Law on the Production, Collection, Marketing, and Control of Tobacco, Tobacco Products, and Related Products was drafted in 2023. The draft aims to consolidate fragmented sectoral laws and clearly define the regulatory treatment of new tobacco products. However, political instability has stalled the draft law in the legislative process. As another interviewee explained, 'the new tobacco products, which have seen rapid growth, have not been addressed by the Tobacco Control Law'. As a result, a legal vacuum persists regarding the marketing, registration, and taxation of new products.

In contrast, Kosovo's fiscal regulation of tobacco products has been more adaptive. The Law on Excise on Tobacco Products (No. 04/L-021), last amended in 2022 (Official Gazette of the Republic of Kosovo (2022b)), explicitly defines excise parameters for e-liquids, flavourings, HTPs, and other new tobacco products. The law specifies the excise base for each product type, providing a degree of predictability and legal clarity for taxation purposes. One interviewee highlighted the importance of Kosovo's excise calendar, stating that 'we have had a five-year predictability of excise rate increases (...) to avoid sudden market fluctuations'. This is in line with Montenegro's excise calendar, which also has a five-year predictability aimed at providing stable public revenues and preventing increased trade in illegal cigarettes in response to unexpected price hikes (Mugoša et al., 2022). A notable public health intervention has been the introduction of aggressive combined health warnings under Administrative Instruction No. 05/2023 (Official Gazette of the Republic of Kosovo 2023). The warnings, which use images sourced from outside the EU, represent a significant step forward in health communication and aim to reduce smoking prevalence. Studies from other countries show that strong graphic health warnings are likely to reduce smoking prevalence by 3% in Albania and by 4.5% in Bosnia and Herzegovina (WHO, 2016a, 2016b). Considering the similar social, economic, and political background in Kosovo, similar results are expected in the medium and longer terms.

7.2. INSTITUTIONAL LANDSCAPE AND POLICY PROCESS

The Ministry of Finance is the lead institution shaping tobacco taxation policy in Kosovo. However, other institutions – such as Kosovo Customs, the Ministry of Health, and the International Monetary Fund (IMF) – also influence important fiscal policy decisions related to tobacco.

Despite the inclusion of different bodies in policy making, the institutional coordination between fiscal and health authorities remains limited. During the interviews, one of the experts confirmed that ‘there is not much cooperation and transparency in fiscal policy making’. In fact, there is no formal interministerial platform to ensure that public health considerations are systematically integrated when decisions are made about taxing tobacco products. The policy processes remain largely centralised within the Ministry of Finance, with limited involvement of the Ministry of Health, the Ministry of Industry and Trade, or civil society stakeholders. As another expert stated, ‘I am not aware which are the main institutions involved (...) but there should be several ministries.’ As a result of this lack of coordination, tobacco policies in Kosovo mainly focus on revenue targets rather than on optimising public health outcomes. Of course, there have been efforts through the expansion of health warnings. But for these measures to be effective, they should be supported by sustained political commitment and improved institutional coordination. A similar situation is found in Bosnia and Herzegovina, where tobacco taxation policies are led by the Indirect Tax Authority under the Ministry of Finance, while the Ministry of Health has limited impact in policy setting. This has driven high levels of illicit purchases in the country (around 20%), reducing the fiscal efficiency and driving health objectives further out of reach (World Bank, 2021). Other studies confirm the correlation between strong institutional settings and low tax-evasion rates (Vladisavljević et al., 2021b).

Transparency of stakeholders has also remained limited, especially in cases when fiscal policies are implemented with minimal public consultation and limited involvement of independent experts or civil societies in policy debates. Furthermore, the tobacco industry, while less concerned about excise increases per se, actively resists regulatory measures that would limit advertising, sponsorship, and interaction with government actors. Instead, the industry focuses on protecting its market share, particularly among youth consumers.

7.3. ALIGNMENT WITH THE EU TOBACCO TAXATION DIRECTIVE

Kosovo’s fiscal legislation is partly aligned with the EU Tobacco Taxation Directive (TDD) (2011/64/EU). The Law on Excise on Tobacco Products explicitly references the directive and incorporates several of its principles. However, practical compliance remains incomplete, as Kosovo’s current excise rate is well below the EU minimum threshold. There are several economic, institutional, and political barriers to complete alignment with EU legislation. For example, rapid harmonisation with EU excise levels would be socially and politically challenging given Kosovo’s lower income levels and sensitivity to sharp increases in cigarette prices. As one interviewee explained, ‘economic and social development in Kosovo is incomparable to the EU, so 100% implementation of EU practices is unaffordable.’ To address this issue, the TTD introduced a proposal that links part of the minimum tax to differences in living standards across EU member states. This adjustment will ensure that countries apply minimum tobacco taxes that carry a comparable burden for their residents (López-Nicolás, 2025), therefore making the adoption of the TTD more likely in Kosovo. The country also lacks the technological infrastructure (e.g. a track-and-trace system) required for full implementation of the TTD. In addition, political instability and

short government mandates have slowed progress towards alignment. Kosovo's approach to EU alignment has therefore been incremental, with gradual increases in excise rates and phased capacity-building. While no formal commitment to a specific alignment timeline exists, harmonisation remains an implicit strategic objective within the broader EU integration agenda.

7.4. ECONOMIC AND PUBLIC HEALTH IMPACTS OF TOBACCO TAXATION

7.4.1. Impact of tobacco taxes on industry pricing strategies

Expert interviews reveal that tobacco taxation has a direct influence on industry pricing strategies in Kosovo, with the burden mainly falling on consumers. As excise rates go up, consumers are forced to pay higher retail prices. However, contrary to initial expectations, this has not discouraged consumers from using tobacco products. One expert maintained that 'consumers are dependent on these products and, unfortunately, no price increase or other measure, such as visual pack warnings, has led to a reduction in consumption, which is unfortunate for public health'. This could be due to the fact that the current excise rates are relatively low compared to the EU minimum threshold. Furthermore, one expert expressed his regret that 'there has not been any specific quantitative study yet by health institutions to measure whether the increase in tobacco prices has had a direct impact on consumption'. This highlights the need for more rigorous impact evaluation and consistent observation on the dynamic relationship between price changes and smoking prevalence in Kosovo.

8. Concluding remarks

Tobacco use is a major public health and economic challenge in Kosovo, with its smoking prevalence ranking among the highest in Europe. While progress has been made in updating parts of the legal and fiscal framework, critical gaps remain – particularly regarding the regulation of new tobacco products and alignment with EU standards. Tobacco remains highly affordable in Kosovo, and taxation has not yet reached the levels that would meaningfully reduce consumption. The growing market share of electronic cigarettes, coupled with regulatory uncertainties, further complicates tobacco control efforts.

Kosovo's tobacco taxation policy remains primarily focused on revenue generation, with insufficient integration of public health objectives. Institutional coordination between fiscal and health authorities is weak, transparency in policy making is limited, and enforcement of existing laws is uneven. Kosovo lags behind other countries in the region and the EU when it comes to building an effective, comprehensive tobacco control framework. The evidence presented in this study highlights the urgent need to strengthen Kosovo's tobacco control policies and align them more closely with EU and international best practices. Across the region, other Western Balkan countries are making more rapid progress in aligning their fiscal and regulatory frameworks with EU standards. But Kosovo risks falling further behind unless it adopts a more ambitious, comprehensive approach to tobacco control.

9. Recommendations

To reverse current trends and achieve better health and economic outcomes, Kosovo must adopt a more integrated strategy, one that combines progressive fiscal policy, strong regulation, effective enforcement, and robust institutional coordination. Below are listed some of the recommendations based on the findings:

- › Strengthening Kosovo's tobacco taxation framework is essential to reducing tobacco use and aligning with international standards. The government should adopt a new multi-year excise calendar to provide predictable and progressive increases in tobacco taxes, fully aligned with the EU Tobacco Taxation Directive. In addition, tax levels should be regularly adjusted for inflation and income growth to ensure that tobacco products become progressively less affordable over time.
- › At the same time, Kosovo must work to close existing legal and regulatory gaps by finalising and adopting the draft law on tobacco and related products, which should also include clear definitions and regulatory standards for all novel tobacco products.
- › The lack of institutional coordination and transparency was cited as an important challenge during the semi-structured interviews with experts. To address this, Kosovo should establish a formal interministerial coordination platform for tobacco control, bringing together key actors such as the Ministry of Finance, the Ministry of Health, Kosovo Customs, the Ministry of Industry and Trade, and relevant civil society organisations. Such a platform would help to align fiscal and public health objectives, thereby ensuring a more coherent and effective tobacco control strategy.
- › In parallel, it is crucial to promote greater transparency and public consultation in the development of tobacco fiscal policies, allowing for broader stakeholder engagement and public accountability.
- › Additionally, it is essential to increase the capacity of Kosovo Customs to monitor cross-border trade in both traditional tobacco products and emerging novel products, ensuring that all goods entering the market are properly taxed and regulated.
- › The lack of comprehensive and up-to-date evidence on tobacco use prevalence in Kosovo presents a significant challenge for effective policy making. To address this, institutions should be encouraged to conduct regular, high-quality surveys on tobacco prevalence and to systematically evaluate the impact of taxation and other control measures. Strengthening these data-collection and monitoring efforts will support the development of evidence-based policies.
- › Building on this foundation, it is also essential to expand public education campaigns on the risks associated with using both traditional and novel tobacco products, with a particular focus on reaching and protecting younger populations.

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Annex

THE SEMI-STRUCTURED INTERVIEW WITH EXPERTS

This interview is conducted as part of a project aimed at assessing tobacco taxation policy in Kosovo. The purpose of this study is to analyse the impact of taxes in the tobacco sector, including fiscal, health, and regulatory aspects. All opinions and information shared during the interview will be treated confidentially and will remain anonymous.

Full name: _____

Institution/organization you work for: _____

Current position in this institution/organisation: _____

Work experience in the tobacco sector (years): _____

Level of education: _____

1. Could you briefly explain how the legal framework regarding tobacco products has evolved? How are other tobacco products taxed (tax base and rates), such as heated tobacco, electronic nicotine delivery devices (ENDDs), and others? How are new products, such as electronic cigarettes and other tobacco products, categorized legally for tax purposes?
2. Could you describe the main institutions or key stakeholders involved in shaping tobacco taxation policy in Kosovo? How well coordinated are these stakeholders when it comes to making changes to policies related to tobacco products?
3. How have tobacco taxes influenced pricing strategies for tobacco products? If they have/have not, please explain in more detail.
4. Has the increase in tobacco product prices led to a decrease in smoking prevalence in Kosovo? If yes/no, please explain in more detail.
5. What is the goal behind changes in tax rates? Are policy makers aiming to reach the level recommended by the WHO or to comply with the EU Tobacco Taxation Directive?
 - a) Are you familiar with the European Union Tobacco Taxation Directive? If yes, how would you describe the current level of alignment of Kosovo's legal framework with this directive?
 - b) Where does Kosovo currently stand in terms of compliance with this directive? Could you explain in more detail?
 - c) What can be done to improve compliance with the EU Tobacco Taxation Directive?
 - d) What are the barriers to Kosovo achieving alignment with the EU Tobacco Taxation Directive?

- e) Are there any specific objectives, minimum thresholds, or EU standards that Kosovo has committed to meet? If so, what are they?
 - f) What are the practical challenges that hinder closer alignment with this directive (e.g. legal, administrative, or political challenges)?
 - g) Are there any transitional strategies or phased objectives planned to help Kosovo to comply with the EU requirements on tobacco taxation?
 - h) What kind of support (technical or financial) would be needed to help Kosovo to align with the EU directives?
6. Given that taxes on tobacco products contribute significantly to government revenue, is there concern among policy makers that changing tax rates could affect government revenue?

IMPRESSUM

Herausgeber, Verleger, Eigentümer und Hersteller:

Verein „Wiener Institut für Internationale Wirtschaftsvergleiche“ (wiiw),
Wien 6, Rahlgasse 3

ZVR-Zahl: 329995655

Postanschrift: A 1060 Wien, Rahlgasse 3, Tel: [+431] 533 66 10, Telefax: [+431] 533 66 10 50
Internet Homepage: www.wiiw.ac.at

Nachdruck nur auszugsweise und mit genauer Quellenangabe gestattet.

Offenlegung nach § 25 Mediengesetz: Medieninhaber (Verleger): Verein "Wiener Institut für Internationale Wirtschaftsvergleiche", A 1060 Wien, Rahlgasse 3. Vereinszweck: Analyse der wirtschaftlichen Entwicklung der zentral- und osteuropäischen Länder sowie anderer Transformationswirtschaften sowohl mittels empirischer als auch theoretischer Studien und ihre Veröffentlichung; Erbringung von Beratungsleistungen für Regierungs- und Verwaltungsstellen, Firmen und Institutionen.

