

Tobacco taxation in Southeast Europe

Albania, Bosnia and Herzegovina, Bulgaria, Croatia,
Kosovo*, Montenegro, North Macedonia, Romania, Serbia

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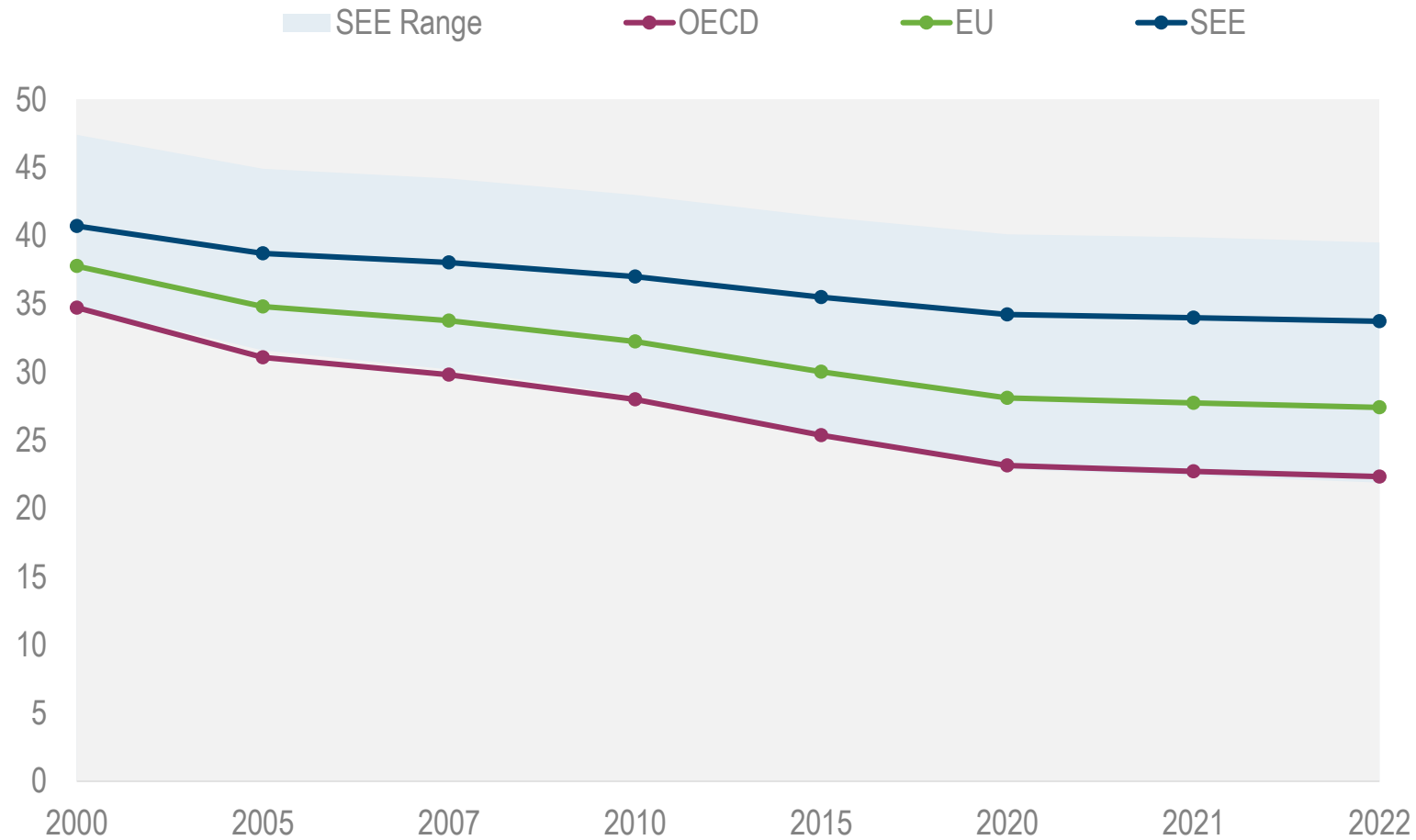




The need for action

Tobacco use in SEE remains widespread

Share of the adult population (15 years and older) that currently uses any tobacco product

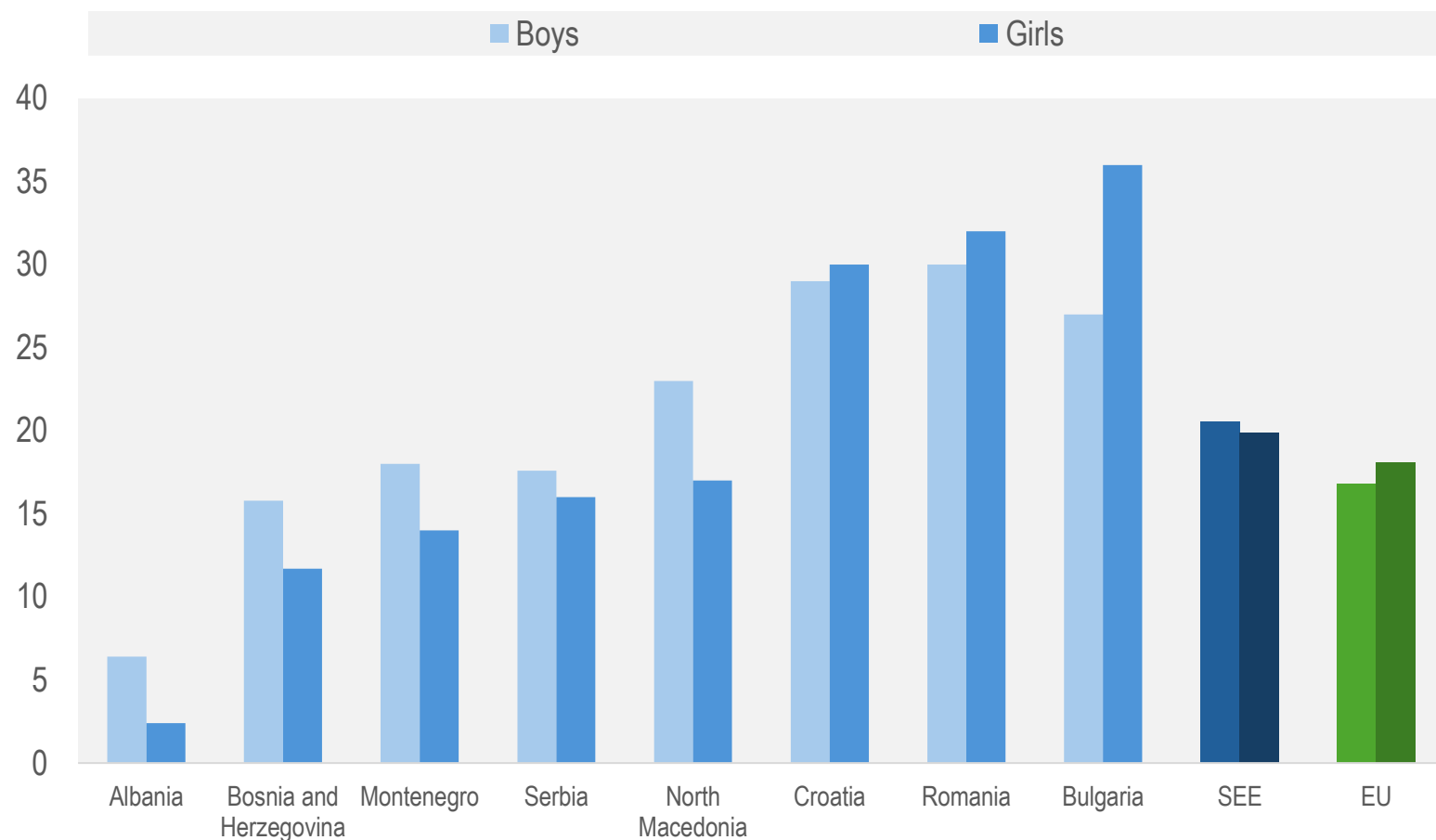


Source: World Health Organisation, SDG Target 3.a (2022)



The prevalence of cigarette smoking is high among adolescents

Share of the adolescent population (13-15 years old) that currently smoke cigarettes, 2022

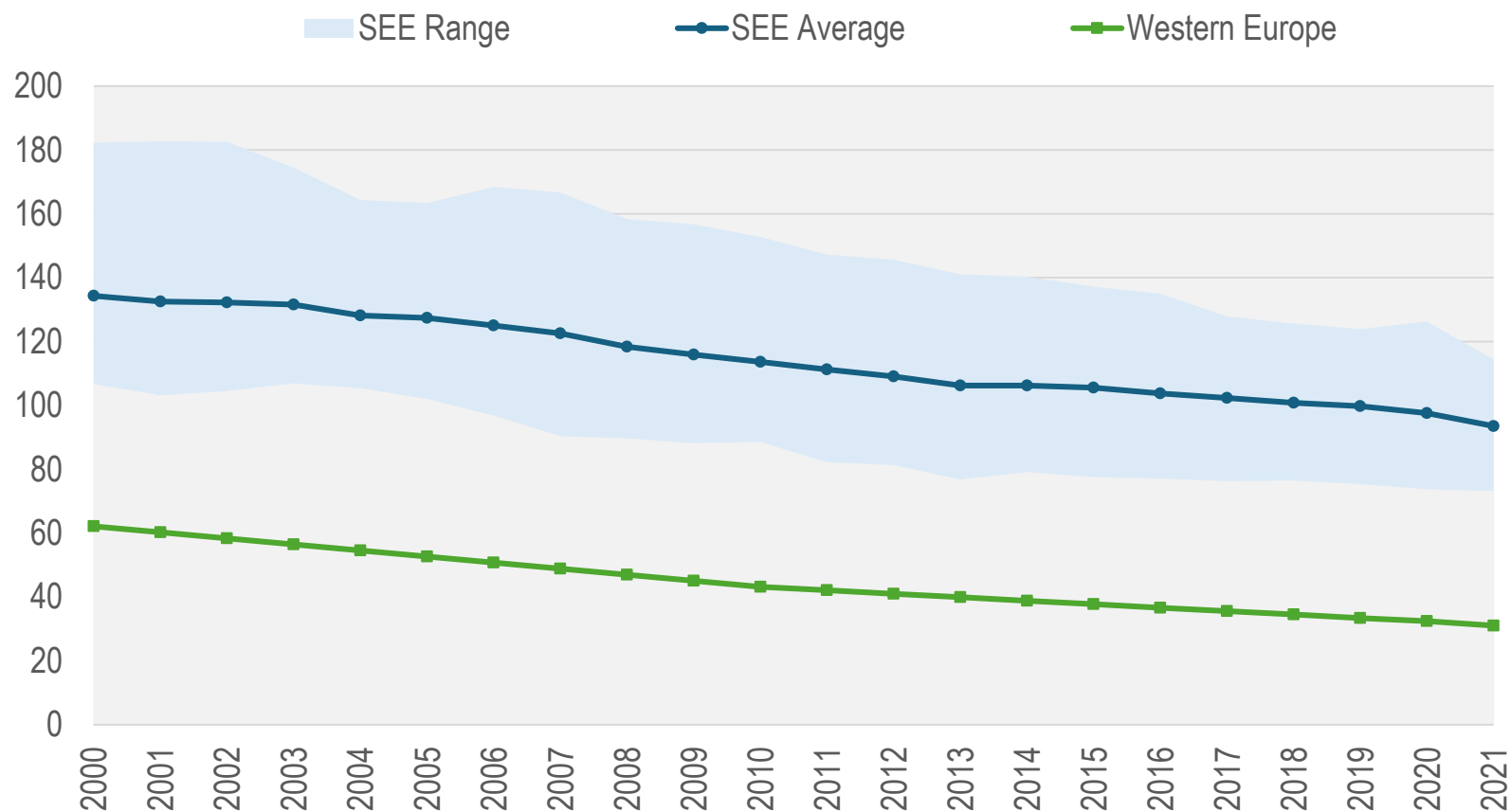


Source: World Health Organisation, Global Youth Tobacco Survey (2023)



In 2021, smoking-related deaths were three times greater in SEE than in Western Europe

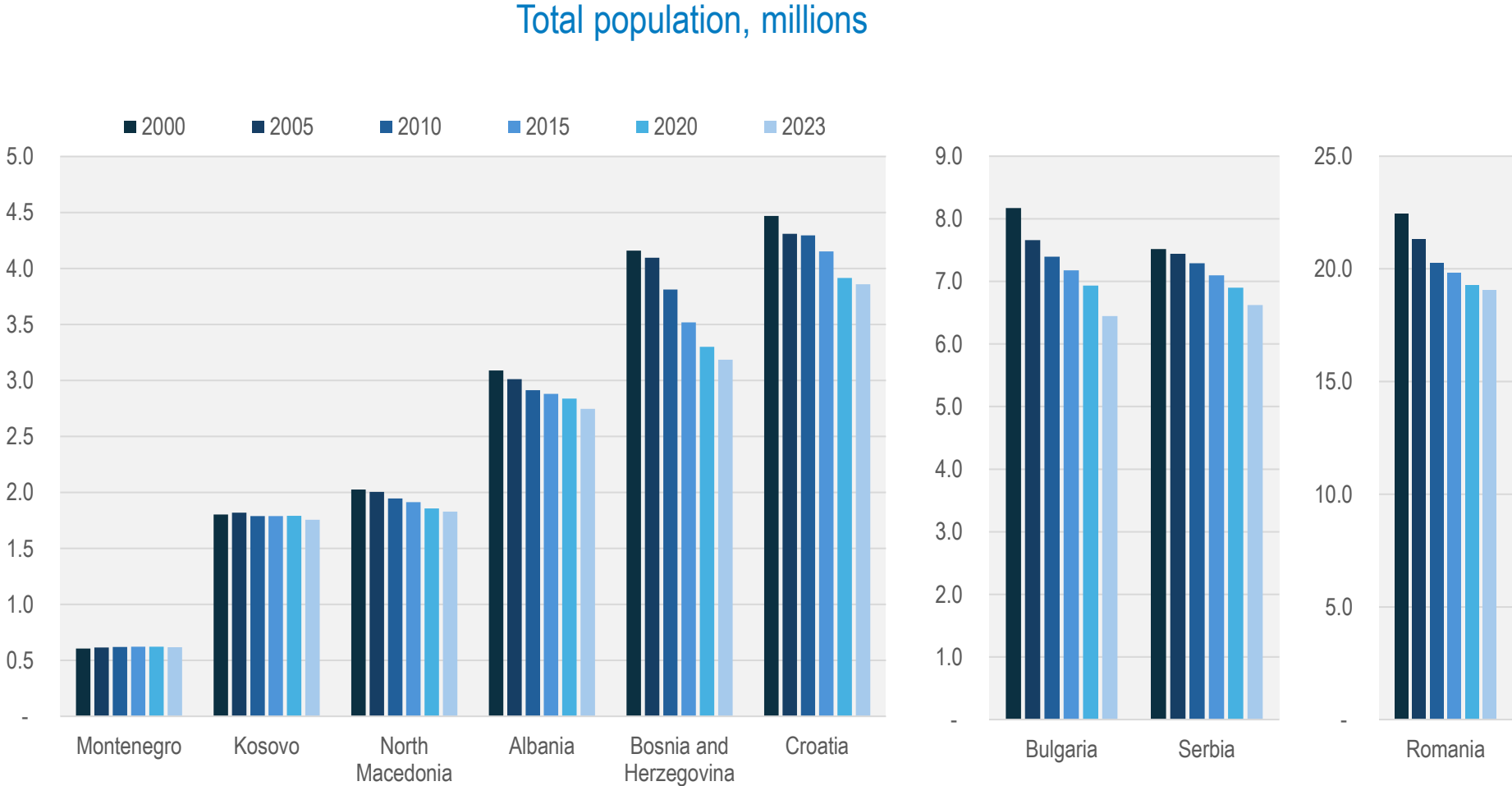
Deaths directly attributable to smoking, deaths per 100,000 people



Source: Global Burden of Disease Study, Cause-Specific Mortality (2021)



In a region that has experienced a decline in its population



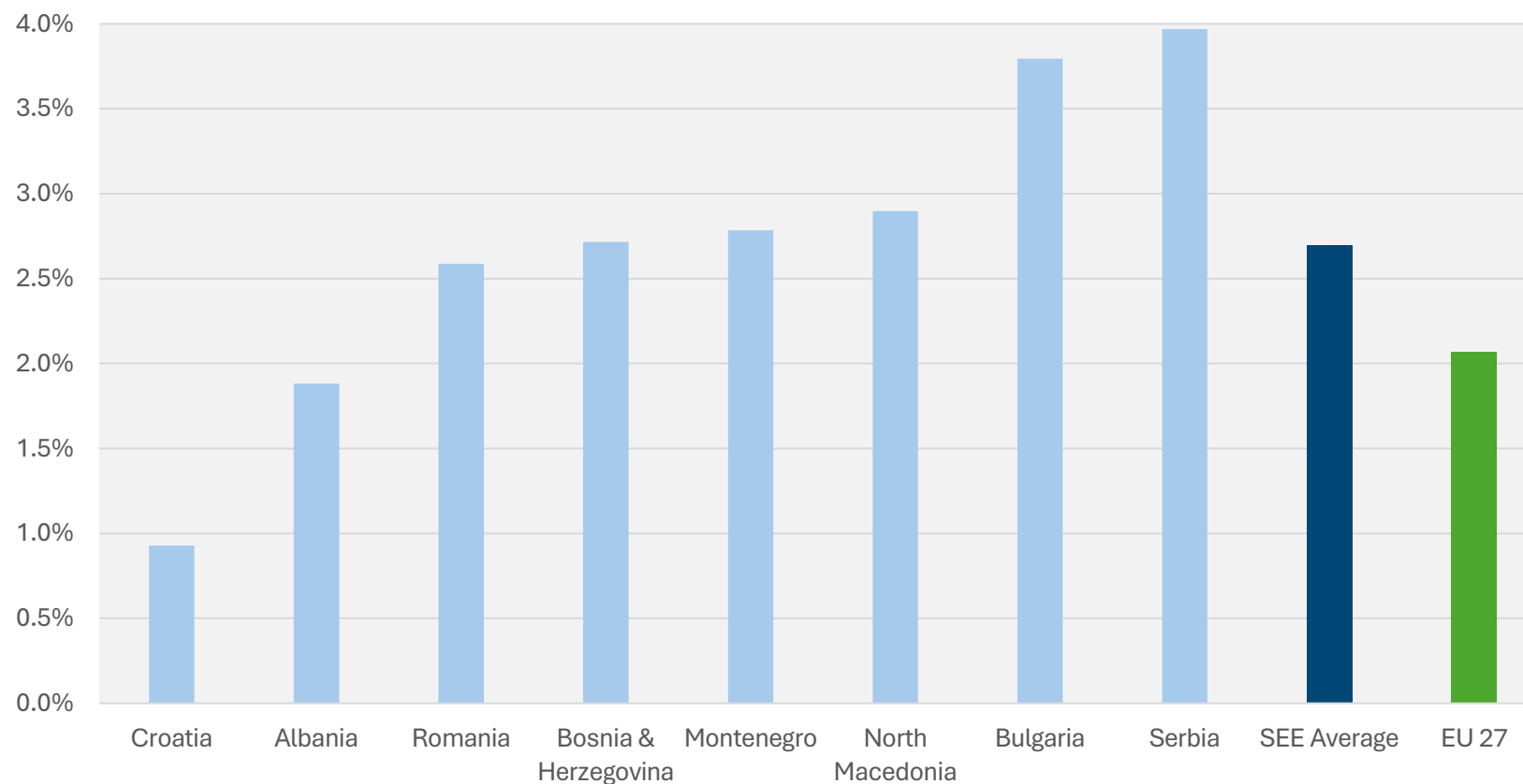
Source: United Nations World Population Prospects (2024)



The economic cost of tobacco use in SEE countries is notably higher than in the rest of Europe

Annual costs of smoking, % of GDP, 2023

(direct costs related to healthcare expenditures + indirect costs related to lost productivity caused by illness and premature death)

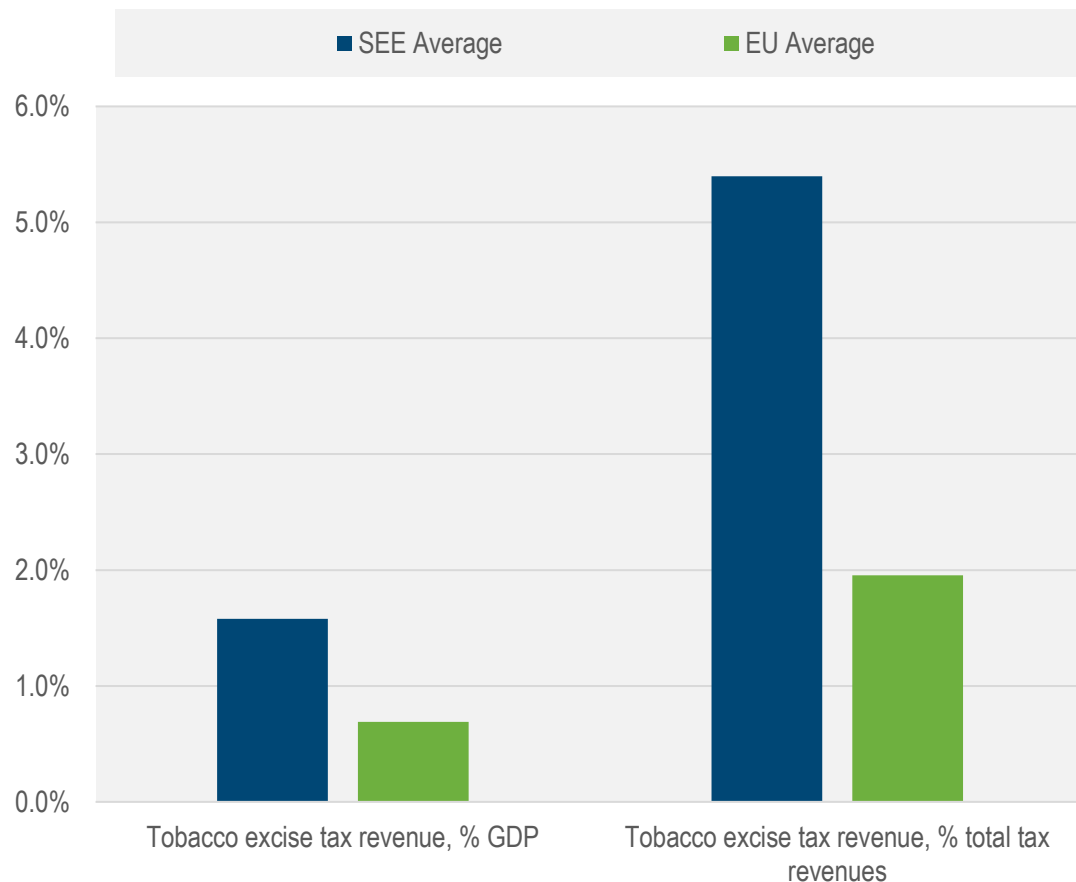


Source: Vital Strategies, Tobacco Atlas (2024)

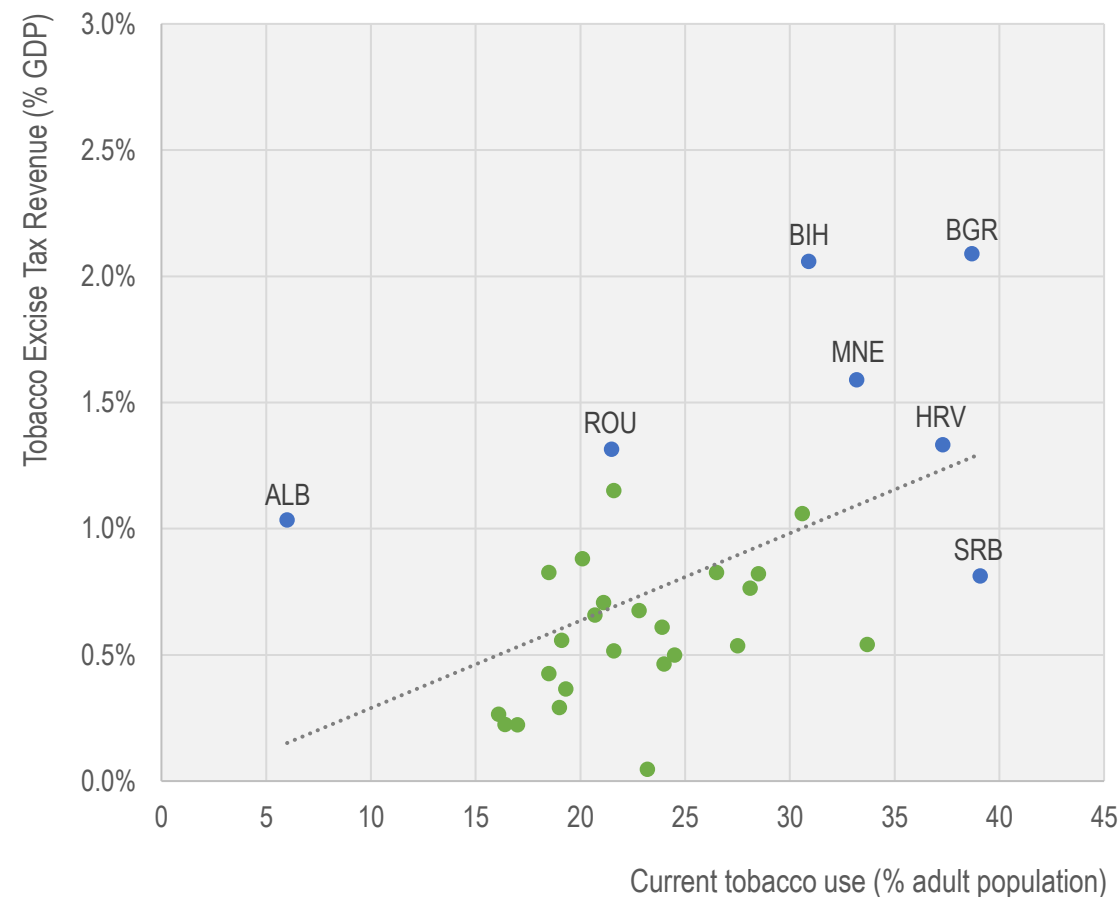


Tax revenues from tobacco products are relatively high due to high tobacco consumption

Tobacco excise tax revenues, 2022



Tobacco excise tax revenues vs. tobacco use, 2022

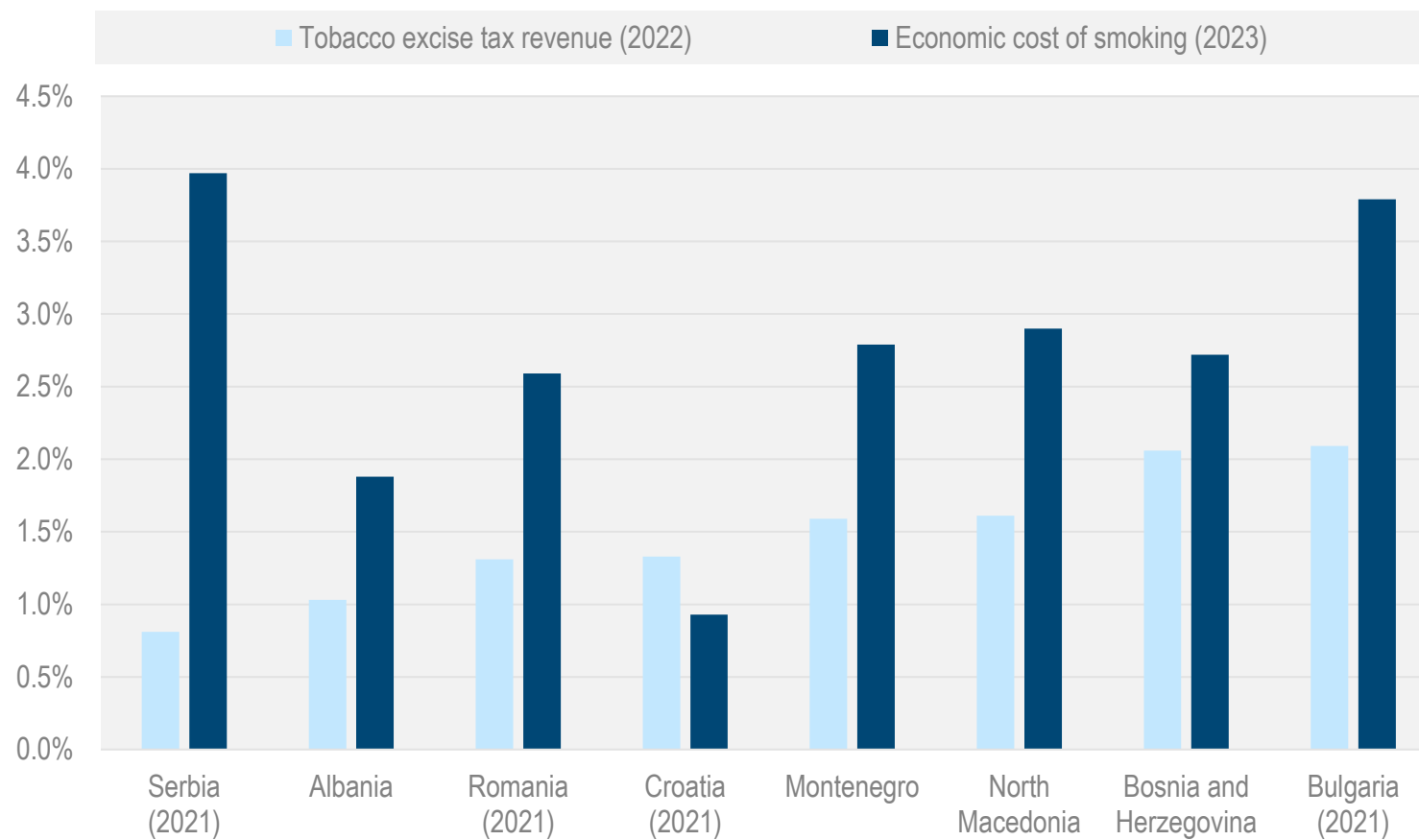


Source: OECD Health Tax Database; World Health Organisation, SDG Target 3.a (2023)



... but they do not cover the economic cost of tobacco use

Tobacco excise tax revenue and economic costs as a percentage of GDP



Source: Vital Strategies, Tobacco Atlas (2024); OECD Health Tax Database



Towards a more ambitious tobacco control policy



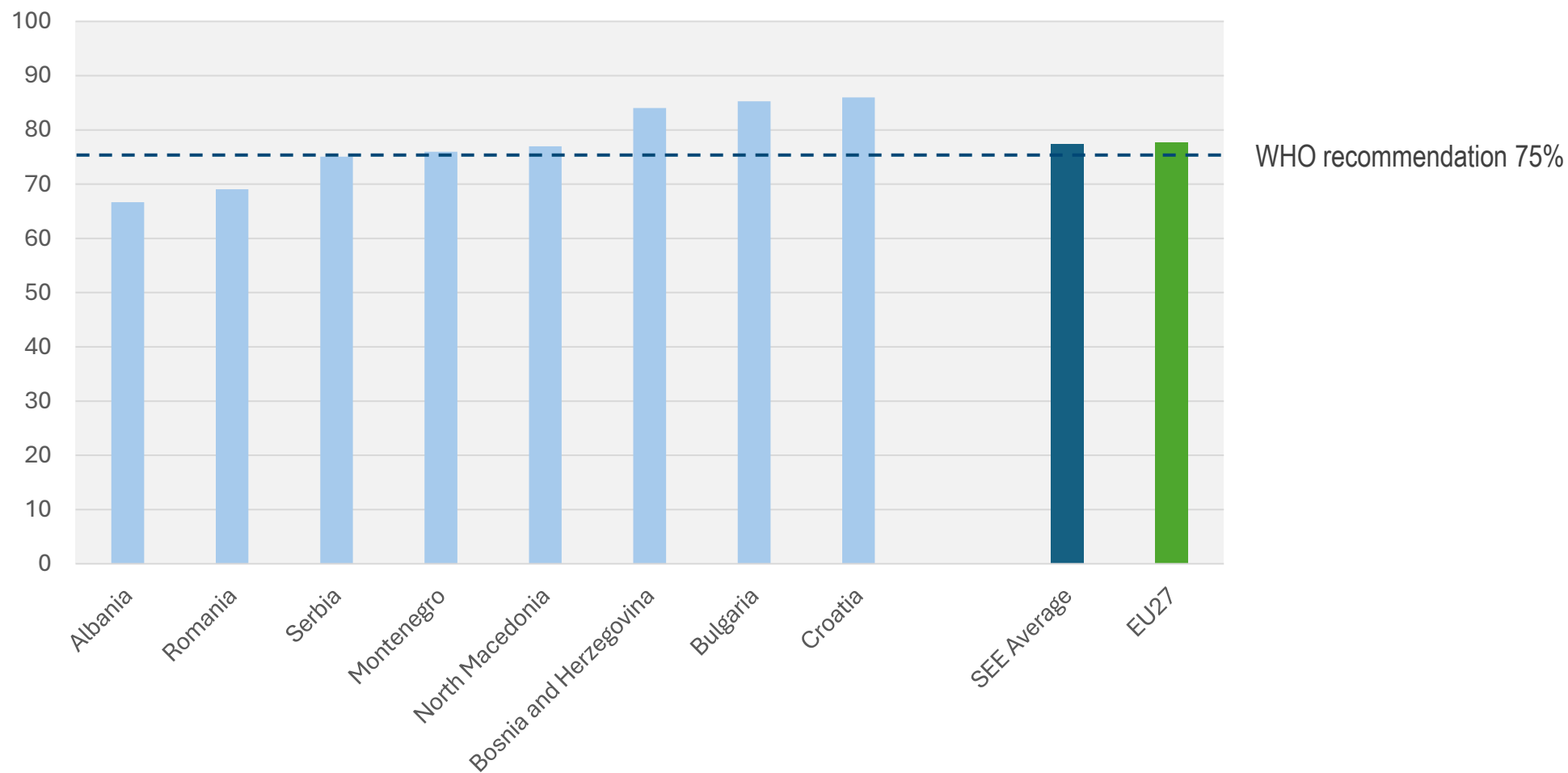
Tobacco control policies include tax and non-tax measures

	M	P	O	W		E	R	
	Monitor	Protect	Offer	Health Warnings	Mass Media	Enforce	Raise Tax	Change in affordability of cigarettes since 2012
Albania								No change
Bosnia and Herzegovina								Less affordable
Bulgaria								More affordable
Croatia								More affordable
Kosovo								
Montenegro								Less affordable
North Macedonia								Less affordable
Romania								More affordable
Serbia								Less affordable



The tax share in the final retail price of cigarettes is relatively high in most countries

Total indirect taxes (% of the retail price of the most sold brand of cigarettes), 2022

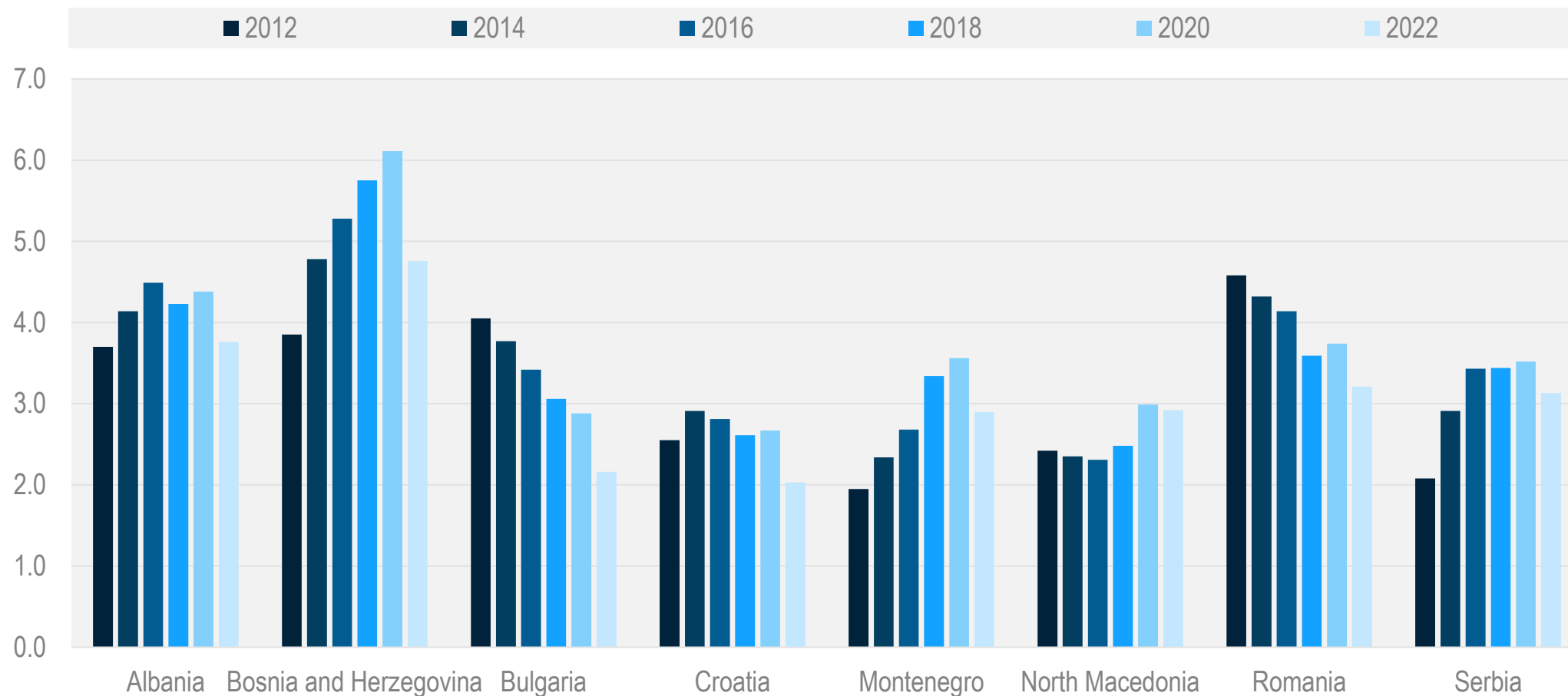


Source: WHO Report on the Global Tobacco Epidemic (2023)



In some countries, cigarettes have become more affordable in recent years

Percentage of GDP per capita required to purchase 100 packs of 20 cigarettes

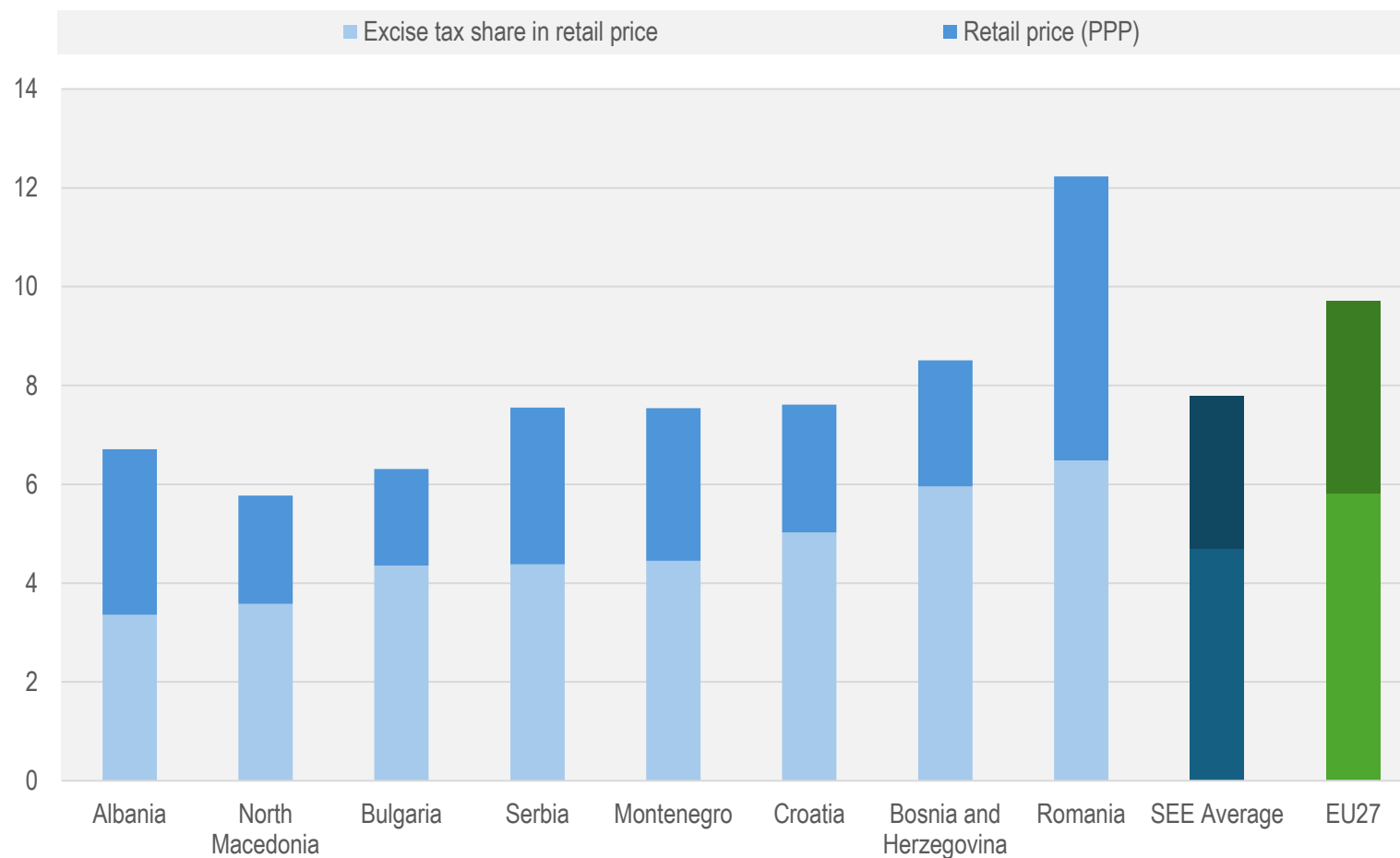


Source: WHO Report on the Global Tobacco Epidemic (2023)



There is a role to play for tobacco excise taxes to further increase tobacco prices, which remain comparatively low

Retail price of most sold brand of cigarettes, PPP USD, 2022



Source: WHO Report on the Global Tobacco Epidemic (2023)



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The OECD tobacco tax policy evaluation framework



Increase tobacco taxes to reduce affordability (BP1)

Tax mix

Preference for excise taxes over other indirect taxes (BP2)...

... and for specific over ad valorem structures (BP3).

Taxable products

Tax all traditional tobacco products (BP4)...

... as well as new and emerging tobacco and nicotine products (BP5).

Tax base

Set the retail price for ad valorem excise taxes (BP6)...

... and units of tobacco products for specific structures (BP7).

Tax rates

Similar across products (BP8) and uniform (BP9).

Regular indexation for inflation and real income growth (BP10).

Set an excise tax floor (BP11).

Complementary measures

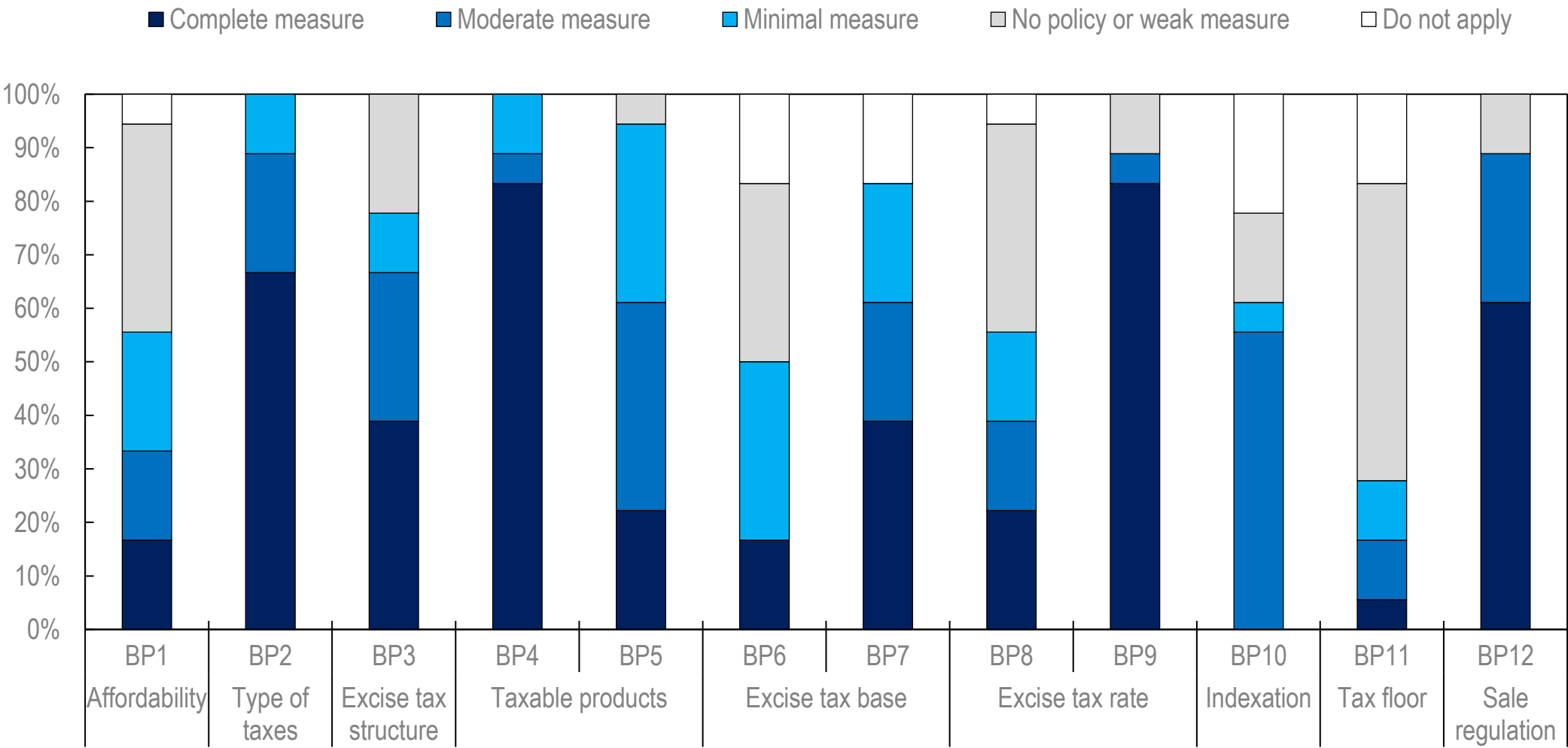
Implement non-tax policies affecting price levels (BP12).



Using the Framework – the Best Practice perspective

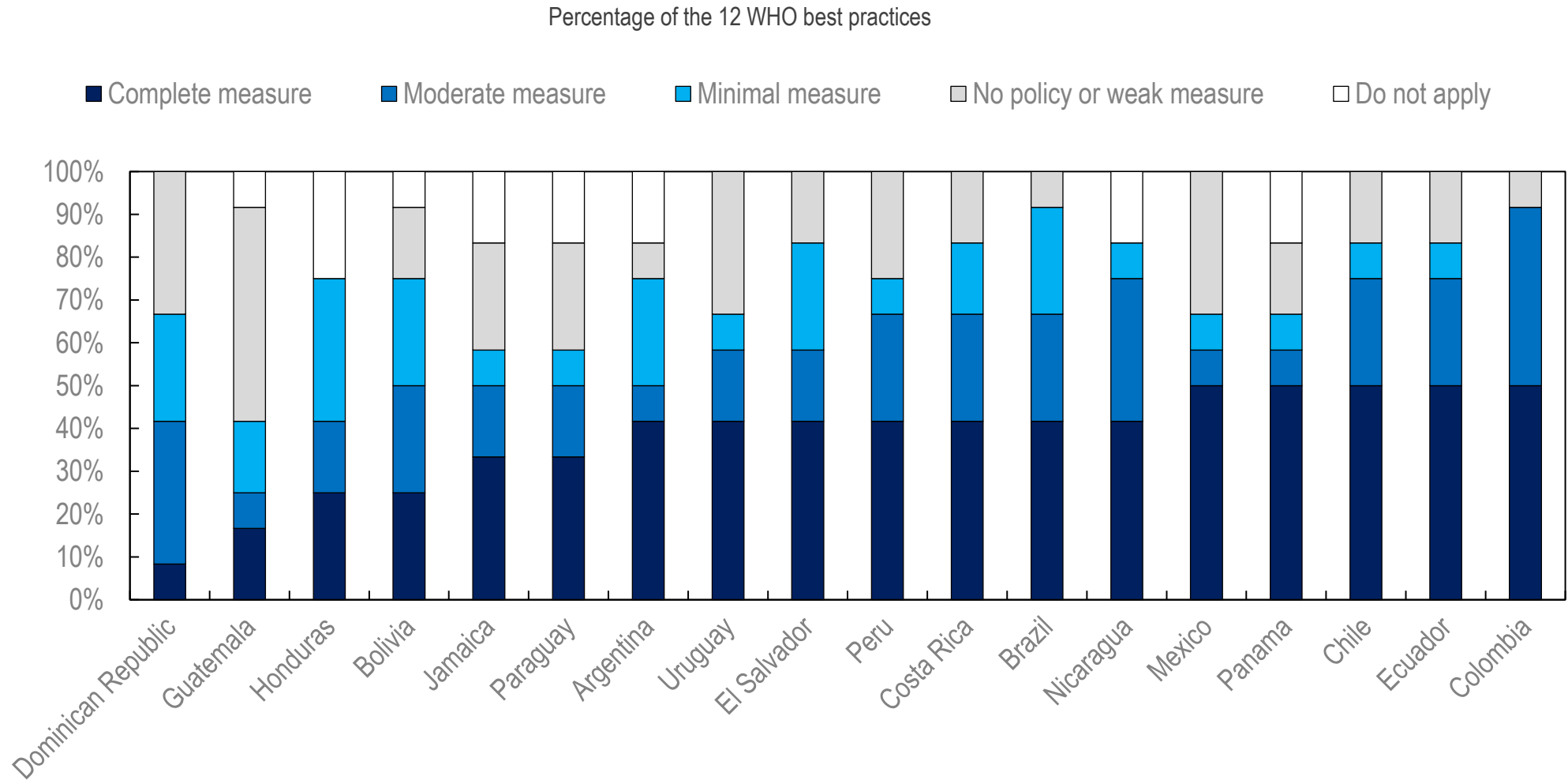
Overview of LAC compliance with WHO best practices on tobacco tax policy design

Percentage of 18 LAC countries



Source: OECD (https://www.oecd.org/en/publications/tobacco-taxation-in-latin-america-and-the-caribbean_080cd662-en.html#:~:text=Executive%20Summary,were%20attributable%20to%20tobacco%20use.)

Overview of country compliance with WHO best practices on tobacco tax policy, 2022





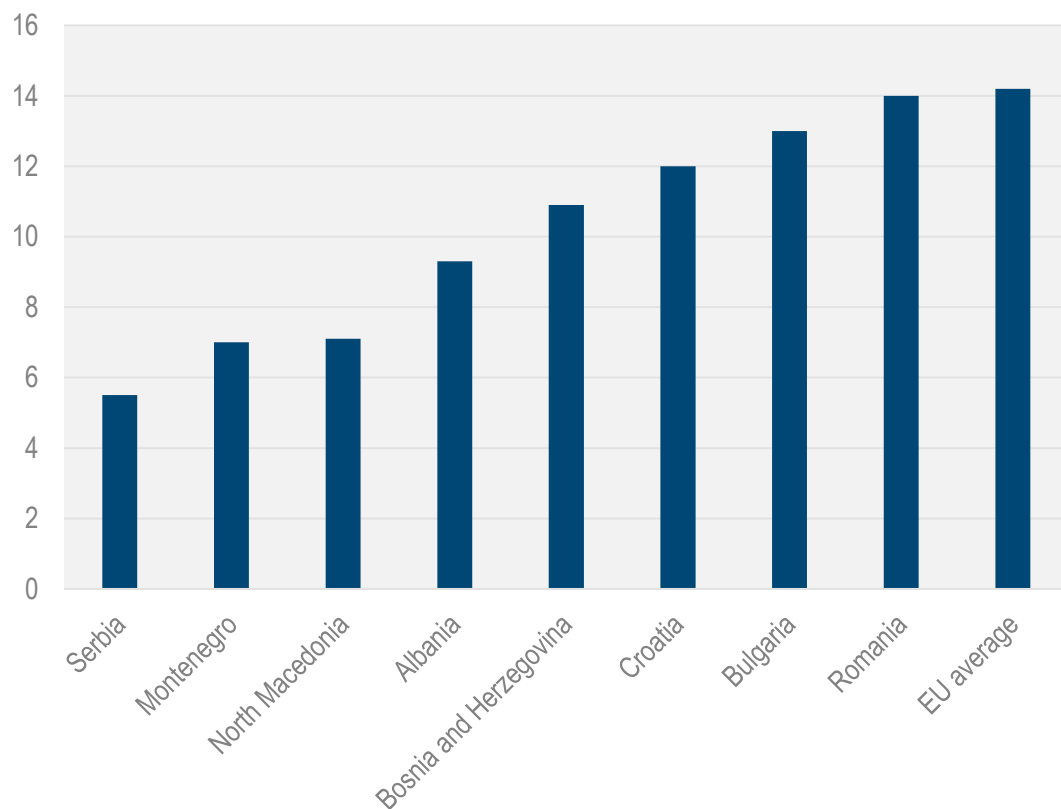
Way forward: tailoring the Framework to the EU Tax Directive (current and future) provisions

- 3/9 economies fall under the Directives
- Others are on a path towards EU accession
- Some loopholes
 - **Substitution problem:** The Directive does not cover some products (liquids for e-cigarettes, heated tobacco products and other types of next-generation products, e.g. nicotine pouches); does not require minimum excise tax for fine cut tobacco
 - **Need to increase minimum rates of excise duties**

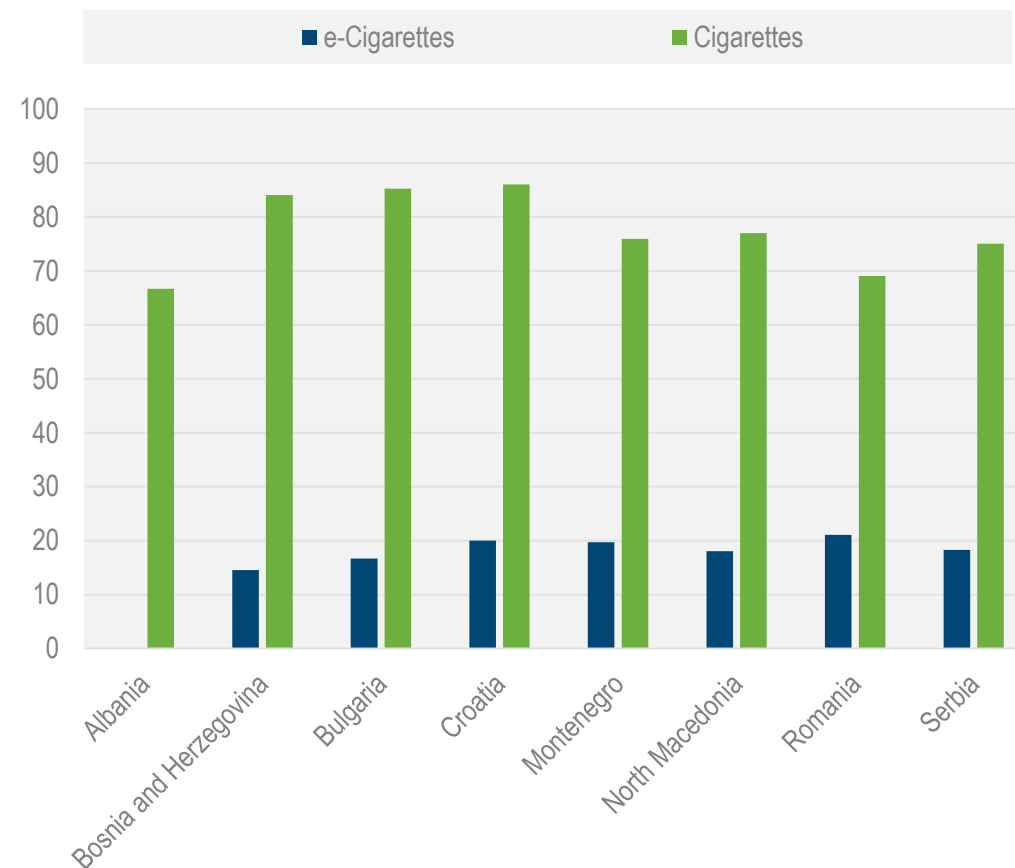


E-cigarette use is becoming a pressing health issue... e-cigarettes currently have a much lower tax burden than cigarettes

Prevalence of e-cigarette use among adolescents (%)



Tax share (% of retail price), 2022





Concerns over revenue loss and illicit trade should not deter increases in excise taxes

- > **Higher tobacco taxes would not result in immediate revenue loss.**
 - > Because of the **inelastic demand**.
 - > In the longer run, the reduction of tobacco consumption would have a **positive impact for the government budget**.
- > **Strong tax enforcement and administration matter the most to tackle illicit trade in tobacco products... so as collaboration within and across countries**



More collaboration is needed to tackle illicit trade in tobacco products

> **Within countries**

- > Coordination needed between: Ministry of Finance, Tax administration, Customs authority, Ministry of Health
- > Share information, better enforce tax and non-tax regulations

> **Across countries within the region**

- > Controlling and tracking the tobacco value chain within countries
- > Sharing the information on the tobacco value chains with other countries
- > Providing the relevant competent authorities with the timely information necessary to seize illegal tobacco products and punish those responsible for its illicit trade.
- > Building upon experiences of sharing tax information on direct taxes to enable more effective tracking of tobacco products throughout the supply chain (including its transit across borders)

> **Mechanisms exist to support cooperation on tobacco control:**

- > WHO Framework Convention on Tobacco Control (183 Parties)
- > WHO Protocol to Eliminate Illicit Trade in Tobacco Products (69 Parties)

A report

- > Health impacts of tobacco consumption
- > Revenue raised by tobacco taxes
- > Design and administration of tobacco taxation
- > Tobacco tax reforms that economies have implemented
- > Impact of tobacco taxes on tobacco prices and the affordability of tobacco products
- > Regional benchmarking
- > Country profiles

Country engagement

- > Technical support to Finance Ministry, Tax Administration and Customs officials
- > Identify the scope for reform in the design and administration of tobacco taxes
- > Analyse the interactions with other areas of the tax system
- > Assess the impact of tobacco tax reforms on health outcomes and tobacco tax revenues using modelling-based approaches
- > Select priority tobacco tax reform measures
- > Define feasible tobacco tax reform plans.

A workshop

- > With representatives from Finance and Health Ministries, Customs and Tax Administrations, from the region to discuss tobacco taxation.
- > Exchange experiences and perspectives, share knowledge and develop an improved understanding of the state of tobacco taxation across the region.



Thank you

**For further information, please
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