

FISC Public Hearing “Tobacco Taxation Directive”
20 November 2025

Tobacco Europe introductory statement

Good morning Honourable Members of the European Parliament.

Dear Chair, Honourable Mr. Tridico,

Tobacco Europe thanks the FISC Subcommittee and all of you for the opportunity to share our perspective on the Commission’s proposal to revise the Tobacco Tax Directive.

Tobacco Europe represents British American Tobacco, Imperial Brands and Japan Tobacco International.

Honourable Members, this Directive is central for our sector’s future, shaping economic activity and jobs throughout the EU, affecting substantial tax revenues and relating to products – such as heated tobacco, e-cigarettes and nicotine pouches – that are increasingly understood to play a role in accelerating reduction in tobacco consumption and exposure to tobacco smoke among smokers who would otherwise continue to smoke.

Today, I will focus on 2 key topics: the proposed increases for combustible products and the inclusion of the new categories of products in the Directive.

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The proposed Increases on Combustible Products risk undermining tax revenues in lower-income Member States and fuelling the illicit market.

The minimum excise was set at €90 per 1,000 cigarettes in 2011.

The Commission now proposes increasing it to €215 per 1,000.

If the minimum excise duty on cigarettes were simply adjusted in line with consumer price inflation, it would be about €125, a significant 40% increase — yet far below the 140% hike proposed by the European Commission.

Consumers in lower income Member States especially in the east and south would be hardest hit.

In Bulgaria, wages are two-thirds below the EU average. In Hungary, Poland and Romania for example, they’re less than half.

Meanwhile, consumers in higher income Member States – largely unaffected by the proposal – earn more than double the average.

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The Commission expects the proposal to generate €14 billion in extra tax revenues but that projection is unrealistic.

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It is a myth that price increases would not affect demand of legal tobacco products. The higher the price, the less people on a certain income can afford. And the more incentive the consumer has to switch to a different product. And let's be realistic. Unfortunately, in the case of tobacco, that includes lower priced illicit cigarettes.

The Commission assumes, in its calculations, that if the price of tobacco increased by 10%, legal demand would fall by around 5%.

Tobacco Europe and its members believe consumers are much more sensitive to tax and price increases than the Commission has assumed.

If demand were truly inelastic, as the Commission assumes tobacco tax revenues would have risen since 2011. Instead, despite 12% higher taxes in real terms and 16% higher prices, revenues have fallen by 20% in real terms.

Even the EC's own consultants find cigarette demand to be price-elastic – yet this is not reflected in their calculations.

The proposed increases to the minimum tax rates can therefore not deliver another 14 bn € in tax revenues for the Member States. In fact, for many of the most affected Member States in the east and south of the EU, tax revenues would be damaged if they were to implement the current proposal.

According to the Commission in its IA, there is no link at all between tobacco prices and illicit trade.

This is not our experience.

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Romania, Lithuania, and Bulgaria have already expressed concerns of how a substantial increases in minimum tax rates will create a massive increase in illicit trade from countries outside the EU.

In its Impact Assessment, the Commission looks at Ireland to demonstrate how cigarette taxes and prices do not affect the level of illicit trade.

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This is a flawed example.

A recent advisory briefing paper by Ireland’s Domestic and Indirect Tax Division of the Department of Finance shows that¹ despite steep excise increases in Ireland: the volume of illicit cigarettes reached 26% of total consumption, and illegal fine cut now represents 36% of the total consumption with smoking incidence only declining from 20 to 17%.

Ireland is not a case in isolation. Other high taxing MS have an established and growing illicit problem.

France tells a similar story, excise rates rose by over 100% between 2011 and 2024 whilst the latest KPMG study indicates that this increase has driven contraband and counterfeit cigarettes to represent 38% of total consumption in 2024.

The lesson is clear: steep excise hikes risk fuelling illicit markets and damaging revenues.

At Tobacco Europe, we strongly believe that, as in many other areas of taxation, Member States are best positioned to shape effective excise policies. They should retain the flexibility to set their own rates at a pace that aligns with their national revenue needs while supporting common EU objectives

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Dear Honourable Members of the European Parliament

I now move to my second key topic: the inclusion of new categories of products. We strongly believe that these new categories can significantly contribute to the EU’s goal of achieving 5% of smoking incidence by 2040, as set out in the Commission’s Beating Cancer Plan and strongly supported by this Parliament.

Tobacco Europe supports the inclusion of these new category products, heated tobacco, e-cigarettes, nicotine pouches within the Directive to harmonize definitions and better ensure intra-community trade

However, we see 4 main challenges:

- **The product definitions suggested by the Commission are ambiguous.** We believe they should be more straightforward to provide legal certainty and to allow a consistent approach by Customs and Excise officers across the EU.

¹ [TSG_25-09_General_Excise_UPD.pdf](#) p20

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- **The Tax basis proposed for several of these new category products does not reflect the practice that was taken by most of the Member States.**
- **The Commission’ s proposal does not reflect the reduced risk profile associated with the consumption of such products** when compared to combustible tobacco, such as traditional cigarettes. Based on the weight of evidence, there is growing consensus that Heated tobacco, e-cigarettes and nicotine pouches offer reduced risks compared to cigarettes and fine cut tobacco, for smokers who switch to them completely. Let me be very clear. While these products are addictive and not risk free, nicotine itself has not been established as a cause of cancer, rather it is the many toxicants that are produced on burning tobacco that are the primary cause of smoking related diseases. We believe the tax treatment of these products should therefore be proportionate and reflect their potential role as alternative to smoking.
- **The minimum rates proposed by the Commission for these products are excessive.** For example, the proposed minimum excise rates for nicotine pouches of €143 per KG is estimated to reduce legal sales by 86%. This would not address distortions of competition within the Internal Market, but effectively destroy the demand for these products, at least legal ones. This is not the purpose of the Directive.

In conclusion Tobacco Europe believes material revisions to the proposal are needed to ensure the Directive supports fiscal stability, encourages harm reduction, and respects national competence.

Thank you again to you all and I remain at your disposal during today’s discussion or in the near future to answer all your questions and contribute to achieve a proportionate, effective and evidence-based Tobacco Taxation Directive.

Thank you