

ASSESSING THE EFFECTIVENESS OF THE TOBACCO EXCISE DIRECTIVE: HUNGARY

REPORT FOR TOBACCO EUROPE

FEBRUARY 2026

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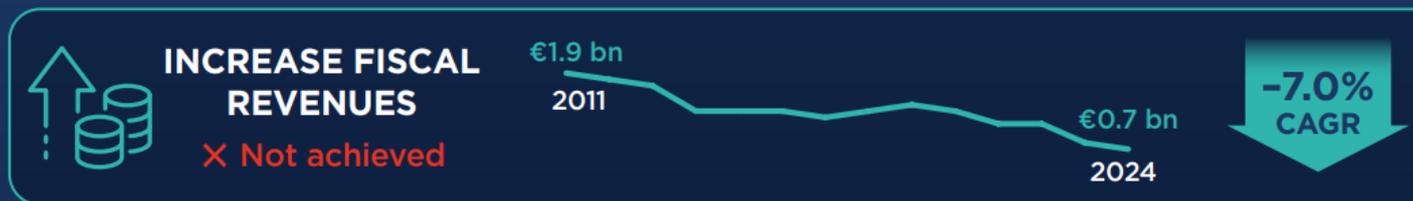
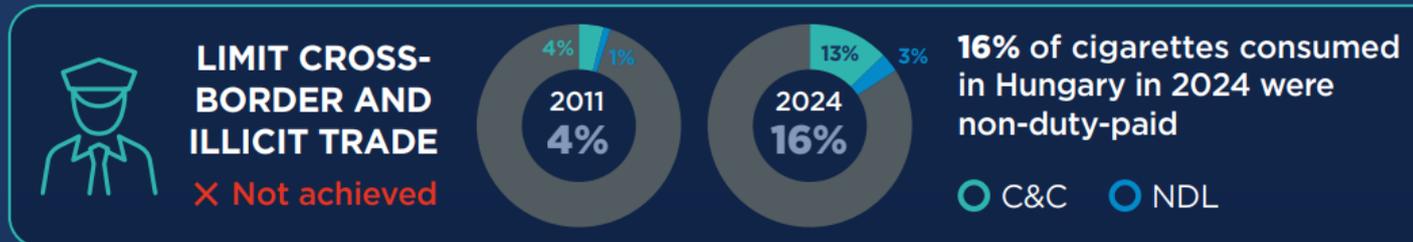
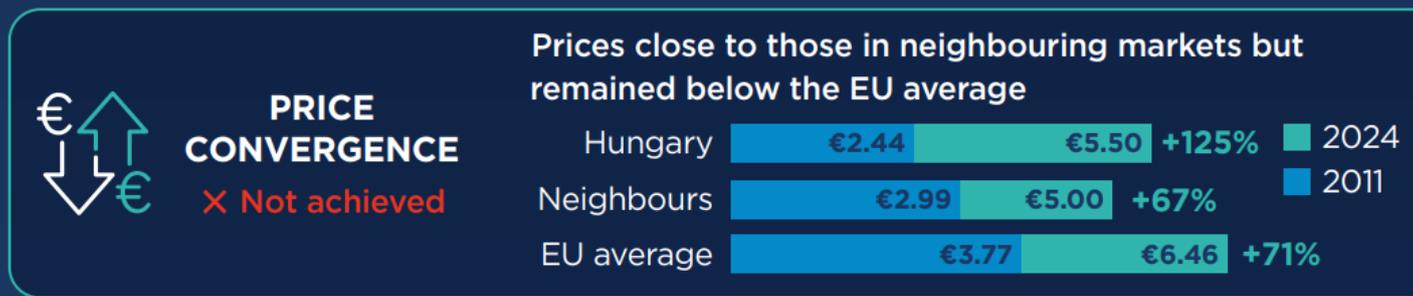
HUNGARY

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH



POLICY GOAL OUTCOMES



Hungary's excise duty increases—accelerating after 2021—combined with shifts towards hand-rolled tobacco and, more recently, heated tobacco products, curbed domestic legal cigarette consumption. At the same time, rising cross-border and illicit purchases weakened the tax base, contributing to a decline in tobacco excise revenues. In real terms, receipts fell at a CAGR of around -7% over the period.

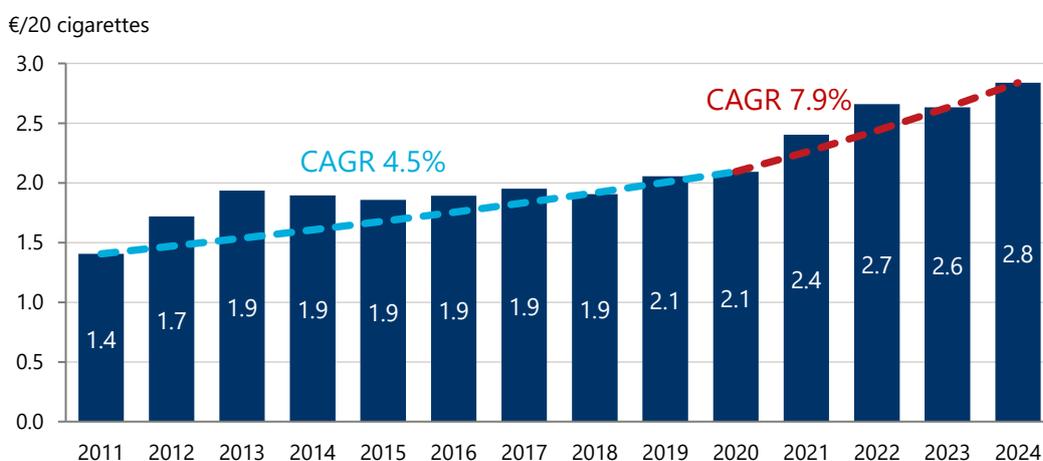
Neighbouring countries included are those with lower WAP levels. Totals may not sum due to rounding.

1.1.1 Hungary case study

Hungary steadily increased its tobacco excise duties until 2020, primarily to align with the minimum rate requirements set by the European Union, with the pace of increases accelerating slightly thereafter¹. As a result, the excise duty on a pack of 20 cigarettes reached €2.84 in 2024.

Further initiatives to restrict tobacco use included the introduction of a comprehensive clean air law in 2012, which banned smoking in all enclosed public places and certain outdoor areas such as playgrounds and public transport stops. This was followed by the adoption of combined pictorial and text health warnings in 2013 and tighter retail regulation limiting tobacco sales to licensed outlets and restricting access for minors.²

Fig. 1. Excise yield in Hungary, 2011 to 2024³



Source: European Commission

Objective: Price convergence

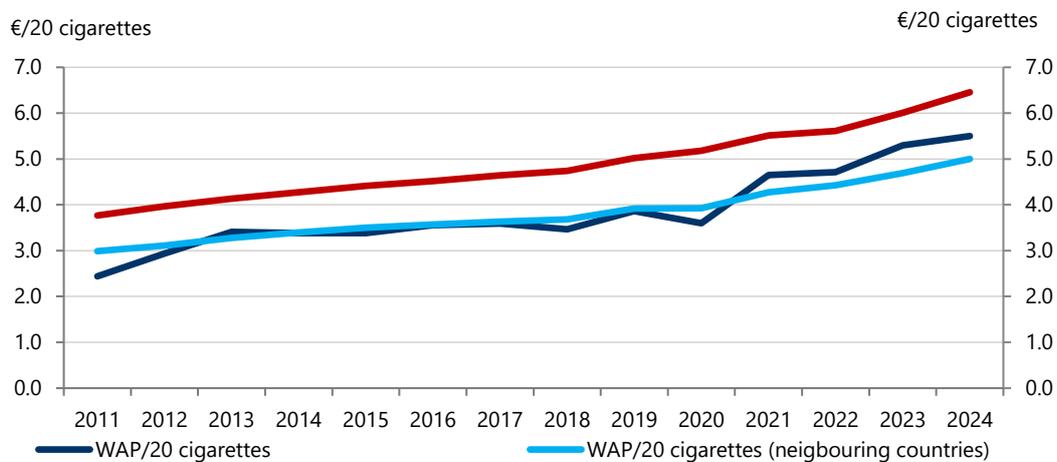
The average price of a 20-pack of cigarettes in Hungary remained broadly in line with neighbouring countries until 2021, when it rose above regional levels for the first time since 2011, reaching €5.50 in 2024. Prices across the EU have been consistently higher throughout the period, and the gap with the EU average price per pack continues to persist. To some extent, this persistence is underpinned by Hungary’s VAT rate. Hungary applies the highest VAT rate in the EU (21.3%, compared with an EU average of around 17.7%). As a result, VAT materially increases the retail price, narrowing the gap with the EU average despite relatively moderate excise duties.

¹ African Tobacco Control Alliance, “[European Court: Hungary Failing to Comply with Tobacco Excise Tax Hike](#)”, accessed October 2025

² Tamas Joo, et al, “[Impact of regulatory tightening of the Hungarian tobacco retail market on availability, access and cigarette smoking prevalence of adolescents](#)”, Tobacco Control, 2025, 34(4), 430-435, accessed October 2025

³ The decline between 2022 and 2023 is driven by HUF–EUR exchange rate movements.

Fig. 2. WAP of cigarettes in Hungary, neighbouring countries⁴, and the EU average, 2011 to 2024



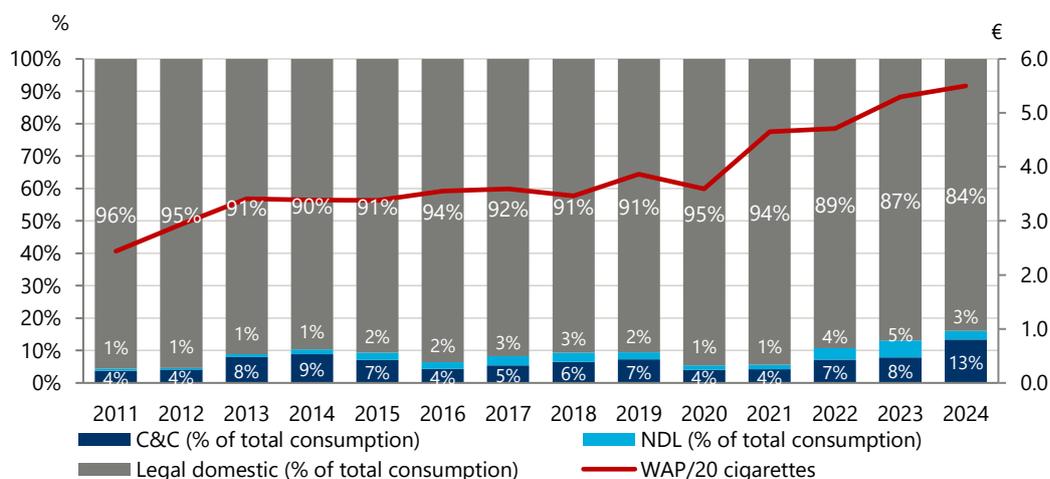
Source: European Commission

Objective: Limit cross-border and illicit trade

Hungarians have traditionally purchased cigarettes through the domestic legal market, supported by price advantages relative to neighbouring countries, and the EU average. Until 2021, over 90% of cigarette consumption came from these legal sales. However, recent sharper excise duty increases, and associated price hikes have eroded this share. The NDL segment remained marginal throughout most of the period, fluctuating between 1–3%, before rising temporarily to 5% in 2023 and settling at 3% in 2024. Meanwhile, C&C products have increased since 2022, accounting for 13% of total consumption in 2024—the highest level since 2011. In total, 16% of all cigarettes consumed in Hungary were DNP in 2024.

⁴ This is the average WAP in Slovakia, Romania, Croatia, Slovenia and Italy.

Fig. 3. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in Hungary, 2011 to 2024



Source: European Commission, KPMG

Total cigarette consumption in Hungary has declined by around 50% since 2011, likely influenced by a combination of policy, economic, and behavioural factors. Successive excise duty increases have contributed to substantial rises in retail prices, while broader tobacco control measures may also have played a role by reducing product availability and convenience.

Shifts in consumer preferences also contributed to the decline, with many smokers turning to alternative products such as hand-rolled tobacco⁵ and, more recently, heated tobacco products.⁶ Together, these factors have led to a significant contraction in legal cigarette sales, with domestic legal volumes falling from around 12.4 billion cigarettes in 2011 to 5.5 billion in 2024.

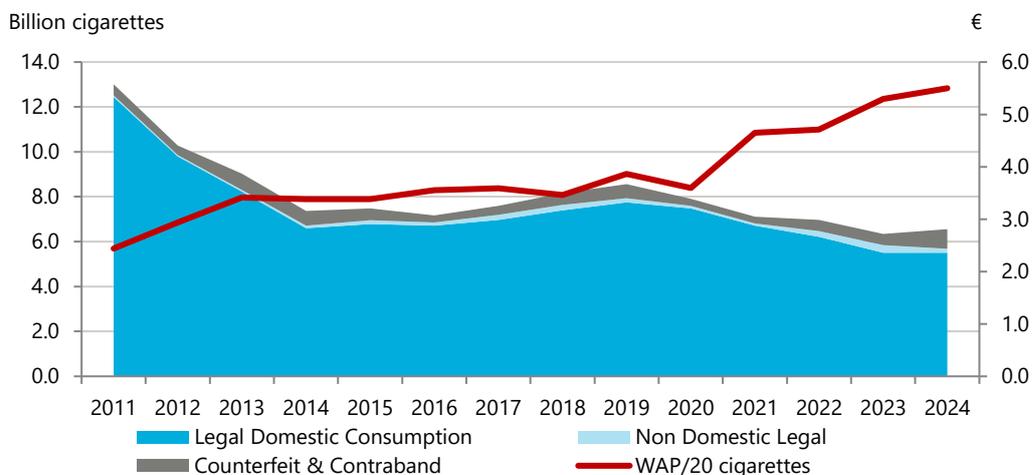
At the same time, Hungary’s position along the EU’s external border — particularly with Ukraine — has continued to expose the market to inflows of non-domestic products. Evidence from customs authorities shows that smuggling networks operating across these borders remain active, contributing to persistent illicit inflows.⁷ The rise in NDP and C&C consumption reflects this structural exposure: C&C volumes rose from 0.3 billion cigarettes in 2021 to 0.9 billion in 2024, while NDL consumption also increased slightly over the same period. As a result, DNP accounted for around 16% of total consumption in 2024.

⁵ European Observatory on Health Systems and Policies, “[Reduction in cigarette purchases mainly due to shift to hand-rolled products](#)”, accessed October 2025

⁶ Hungary Today, “[Rising Demand for Heated Tobacco as Traditional Cigarette Sales Decline](#)”, accessed October 2025

⁷ Hungary Today, “[Illegal Cigarette Trade Causing Damage to Hungarian Economy](#)”, 2023, accessed November 2025

Fig. 4. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in Hungary, 2011 to 2024

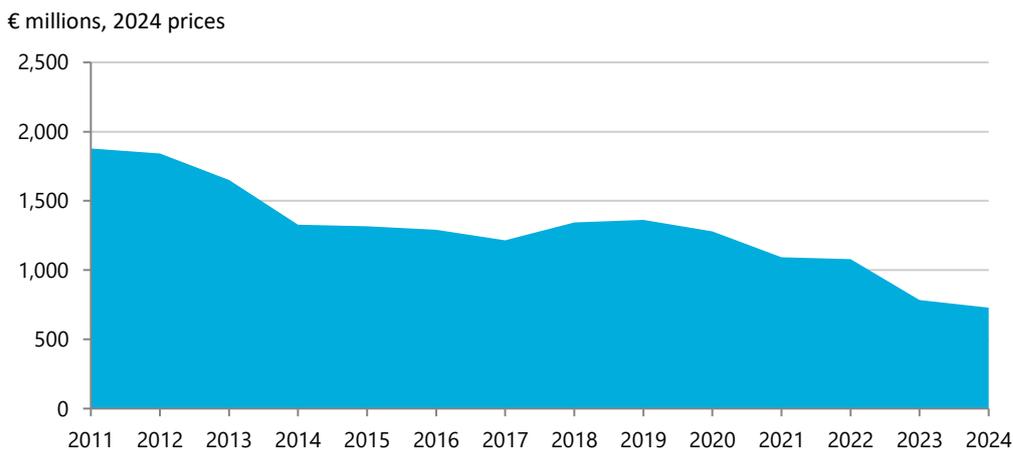


Source: European Commission, KPMG

Objective: Maintain stable tax revenues

Although Hungary’s nominal tax burden per pack rose steadily over 2011–2024 due to successive excise duty increases, tax receipts declined as the tax base contracted. Legal domestic cigarette consumption fell by 56%, reducing taxable volumes, while the growing contraband and counterfeit C&C market after 2022 further undermined collections. As a result, real tobacco tax revenues fell at a CAGR of –7.0% over the period. However, part of this decline reflects high inflation, especially in 2022–2023, which eroded the real value of tax receipts; in nominal terms, revenues declined by an average of –1.6% per year over the period.

Fig. 5. Real cigarettes excise tax receipts in Hungary, 2011 to 2024



Source: European Commission

Assessment and implications

Hungary's tobacco excise policy has led to substantial price increases in line with EU minimum tax requirements and a marked contraction in legal cigarette sales. Since 2011, volumes have fallen by more than half as higher prices, tighter retail regulation, illicit inflows from non-EU borders and shifts toward alternative products reduced demand and contributed to greater DNP activity. The share of contraband and counterfeit cigarettes rose to 13% of total consumption in 2024.

Tobacco tax receipts declined in nominal terms (–1.6% CAGR) reflecting the declining tax base. However, high inflation—particularly during 2022–23—resulted in a much sharper decline in real terms, with real tobacco excise receipts falling at a CAGR of –7.0%

Overall, recent trends suggest that further excise increases may face increasing constraints as the legal tax base continues to contract and DNP consumption rises.



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