

ASSESSING THE EFFECTIVENESS OF THE TOBACCO EXCISE DIRECTIVE, 2011-2024

REPORT FOR TOBACCO EUROPE

FEBRUARY 2026

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GLOSSARY

Term	Definition
C&C	Counterfeit and contraband cigarettes, including illicit whites
Cigarette	Any factory-made product that contains tobacco and is intended to be burned under ordinary conditions of use
Consumption	Actual total consumption of cigarettes in a market, including legal domestic consumption and illicit products as well as those legally purchased overseas
Contraband	Cigarettes that have either been bought in a lower-tax country and which exceed legal border limits or acquired without taxes for export purposes to be illegally re-sold (for financial profit) in a higher priced market
Counterfeit	Cigarettes that are illegally manufactured and sold by a party other than the original trademark owner.
EU / EU27	European Union
Illicit cigarettes	Refers to cigarettes that are consumed outside the legal domestic market, including contraband and counterfeit cigarettes as well as illicit whites. The use of the term illicit encompasses all such products regardless of origin, manufacturing method, or legality in the country of production.
Illicit whites	Cigarettes that are usually manufactured legally in one country/market but which the evidence suggests have been smuggled across-borders during their transit to the destination market under review where they have limited or no legal distribution and are sold without payment of tax
NDL	Non-Domestic Legal – product that is brought into the market legally by consumers, such as during a cross-border trip
DNP	Duty-Not-Paid consists of Counterfeit and Contraband (C&C) (including Illicit Whites) and Non-Domestic (Legal).
WAP	The weighted average price for cigarettes calculated by reference to the total value of all cigarettes released for consumption, based on the retail selling price including all taxes, divided by the total quantity of cigarettes released for consumption. The WAP is provided by the European Commission Excise Duty Tables.

EXECUTIVE SUMMARY

This report, commissioned by Tobacco Europe and prepared by Oxford Economics, assesses the impacts of the EU Tobacco Excise Directive (TED) on tobacco excise tax rates, prices, consumption patterns and fiscal outcomes across six Member States: Belgium, Czechia, France, Hungary, the Netherlands, and Poland. The analysis evaluates the TED's effectiveness against its key objectives—**price and tax convergence, cross-border trade, illicit trade, and revenue performance**—and considers the implications for the directive's forthcoming revision.

POLICY AT A GLANCE

The TED established a harmonised framework for tobacco taxation across the European Union, setting minimum rates and aligning structures to promote an integrated single market, reduce distortions, and support public health objectives. Despite this framework, **price differences remain**, reflecting a combination of national policy choices, broader economic conditions and consumer preferences. **In 2024, cigarette prices ranged from €3.10 in Bulgaria to €16.00 in Ireland.** These differences illustrate the complexity of balancing fiscal and health objectives within diverse national contexts.

UNEVEN OUTCOMES

While the TED aims to provide consistency in tax structures, the results across Member States remain mixed. In high-price markets such as France, the Netherlands, and Belgium, aggressive excise increases in recent years have resulted in abrupt price rises for consumers and **driven substantial growth in duty-not-paid (DNP) consumption—reaching 49% of total cigarette use in France**—as consumers sought cheaper untaxed alternatives.

In lower-price Member States such as Hungary and Czechia, excise duties rose gradually to meet EU minima, but **these increases still coincided with falling legal sales and declining real revenues.** In both markets, the share of illicit products has grown, reflecting higher prices, increased illicit activity originating from non-EU markets and limited deterrence capacity. Poland presents a contrasting case compared with other lower-price markets: illicit trade has declined sharply—from 13% to 4% of total consumption—supported by stronger border controls and the closure of illegal production facilities.

Across these examples, differing experiences illustrate the challenge of balancing revenue performance with public health objectives. Countries that increased excise duties rapidly—such as France, the Netherlands and Belgium—**saw prices rise much faster than real cigarette excise tax revenues as consumers shifted toward untaxed products.** In Hungary and Czechia, excise increases were initially more gradual and started from lower price levels, which limited early substitution into non-domestic products; however, **as increases accelerated after 2019, legal volumes and excise revenues also came under pressure.** Poland achieved more **stable fiscal outcomes** through stronger enforcement and sustained, predictable adjustments.

These outcomes suggest that the speed and sequencing of excise increases, and the strength of enforcement capacity, are the key factors shaping legal markets' responses and the extent of activity shifting into non-domestic channels.

REVISION OF THE TED

The European Commission's 2025 reform proposals aim to modernise the TED by revising the minimum excise duty (MED) level to incorporate purchasing power parity adjustments, introducing triennial inflation-linked updates, and extending the directive's coverage to include new nicotine and tobacco products. **These measures are designed to enhance price and tax convergence, reduce market fragmentation, and improve the directive's alignment with contemporary consumption patterns and public health objectives.** Any revision should also take into account the broader lessons identified in this analysis—particularly **the importance of gradual, coordinated adjustments, close alignment with neighbouring markets, and robust enforcement capacity**—to ensure that any future policy changes deliver **both fiscal stability and effective public health outcomes.**

1. OVERVIEW OF TOBACCO TAXATION IN EUROPE

1.1 THE EVOLUTION OF EU TOBACCO TAXATION POLICY

The EU first set out its approach to tobacco taxation formally in the early 1970s, with the EU Directive 72/464/EEC that aimed to coordinate excise duties across Member States and reduce distortions in the internal market.¹ In 1992, three key directives were adopted—92/79/EEC on cigarettes, 92/80/EEC on other manufactured tobacco, and 95/59/EC on the structure of excise duties—forming the backbone of EU tobacco tax policy. These rules were updated in 2002 to raise minimum tax levels in response to growing price disparities and smuggling.² By the late 2000s, however, the framework was fragmented, outdated, and inconsistent with evolving public health and market needs. This led to the adoption, in 2011, of Council Directive 2011/64/EU or TED, which consolidated the earlier directives, increased minimum excise duties, clarified definitions to combat fraud, and aligned taxation more closely with EU health objectives and the WHO Framework Convention on Tobacco Control.³

The TED introduced three core provisions: (i) common categories and definitions of tobacco products, (ii) harmonised excise tax structures, and (iii) minimum excise duty rates. It established minima for cigarettes, fine-cut smoking tobacco, cigars and cigarillos, and other smoking tobacco. For cigarettes, the TED required a mandatory mixed structure, combining both an ad valorem excise duty (set as a percentage of retail price) and a specific excise duty (a fixed amount per quantity). In addition, the directive sets an incidence requirement, under which the total excise burden must represent at least 60% of the weighted average retail selling price and not less than €90 per 1,000 cigarettes. The TED also includes an escape clause, allowing Member States that apply an excise duty of €115 or more do not need to comply with the 60% criterion above.⁴

For manufactured tobacco products other than cigarettes, Member States were given greater flexibility: the tax structure may be fully specific, fully ad valorem, or a mixture of both. These provisions were intended to ensure a consistent approach across the EU, prevent misclassification of products, and reduce opportunities for tax avoidance. The applicable minimum rates for each category are summarised in Fig. 1.

¹ World Bank, "[Tobacco taxation in the European Union](#)", 2017, accessed October 2025

² European Commission, "[COUNCIL DIRECTIVE 2002/10/EC](#)", 2002, accessed October 2025

³ European Commission, "[Council Directive 2011/64/EU](#)", 2011, accessed October 2025

⁴ European Commission, "[Excise duties on tobacco](#)", accessed October 2025

Fig. 1. Minimum excise tax rates for manufactured tobacco products

Category	Minimum rate
Cigarettes	60% of the weighted average retailing price ⁵ and not less than €90 per 1000 items
Fine-cut smoking tobacco	50% of the weighted average retail selling price or €60 per kilogram
Cigars and cigarillos	5% of the retail selling price or €12 per 1000 items or per kilogram
Other smoking tobaccos	20% of the retail selling price or €22 per kilogram

The TED's provisions operate through a set of drivers that shape how the directive functions in practice. Harmonised rules and coherent implementation are intended to provide consistency across Member States, while flexibility and derogations allow some national variation where needed. Cross-country and cross-product convergence aim to narrow differences in taxation levels both between Member States and between different types of tobacco products. Finally, minimum rates provide a baseline for consistency, while Member States retain flexibility to reflect local conditions.⁶

Through these drivers, the TED seeks to achieve six specific objectives:

1. ensure the proper functioning of the excise system,
2. promote market integration and remove obstacles to the internal market,
3. avoid tax-induced distortions of competition,
4. safeguard the principle of freely formed prices,
5. pre-empt fraud and smuggling, and
6. prevent substitution between products and deter consumption through taxation.

Together, these specific objectives serve two overarching goals:

- proper functioning of the internal market, and
- a high level of health protection.

The TED remains the cornerstone of EU tobacco excise policy, though discussions are ongoing on updating it to reflect new products and market developments.

1.2 EU MEMBER STATES' PERFORMANCE RELATIVE TO TED OBJECTIVES

1.2.1 Uneven progress toward convergence

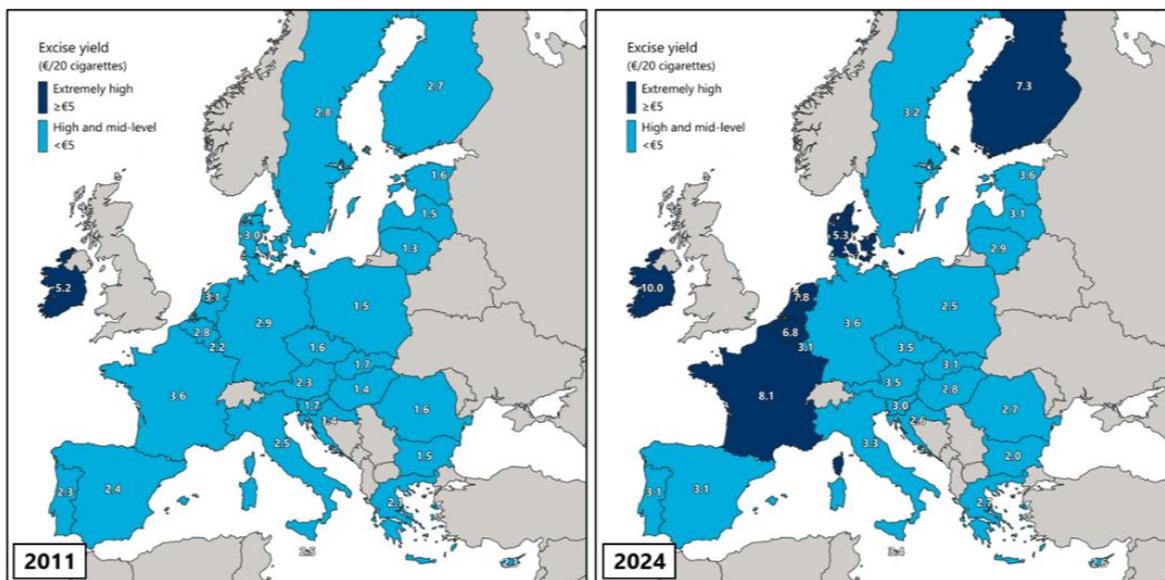
Although most EU Member States met the TED's minimum requirements by 2018, progress toward harmonising excise duty structures has remained uneven. While the Directive established a common framework, several countries—particularly Ireland, France, the Netherlands, Finland and Belgium—continue to set excise levels well above the minimum thresholds. These unilateral policy choices diverge from the Directive's harmonisation objectives and have contributed to unintended outcomes,

⁵ EU countries that apply an excise duty of €115 or more do not need to comply with the 60% criterion above.

⁶ European Commission, Study on Council Directive 2011/64/EU on the structure and rates of excise duty applied to manufactured tobacco, January 2019

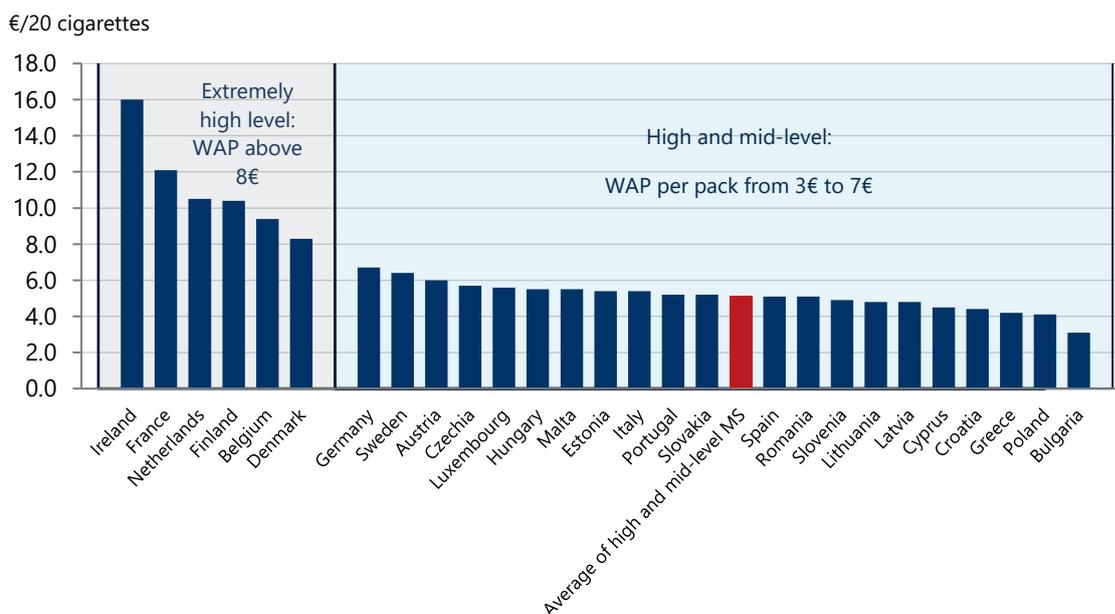
including elevated levels of illicit cigarette trade in high-tax jurisdictions. This evidence suggests that, in the absence of clear limits on the maximum excise level policy, harmonisation outcomes across the EU's 27 Member States remain difficult to achieve.

Fig. 2. Excise yield in EU Member States, €/pack of 20 cigarettes, 2011 and 2024



As a consequence, retail cigarette prices now vary substantially across the EU. In 2024, cigarette prices ranged from €3.10 in Bulgaria and €4.10 in Poland to €12.10 in France and €16.00 in Ireland— a difference of €12.90 per pack. This wide variation underscores the persistence of significant price gaps despite harmonised minimum rates.

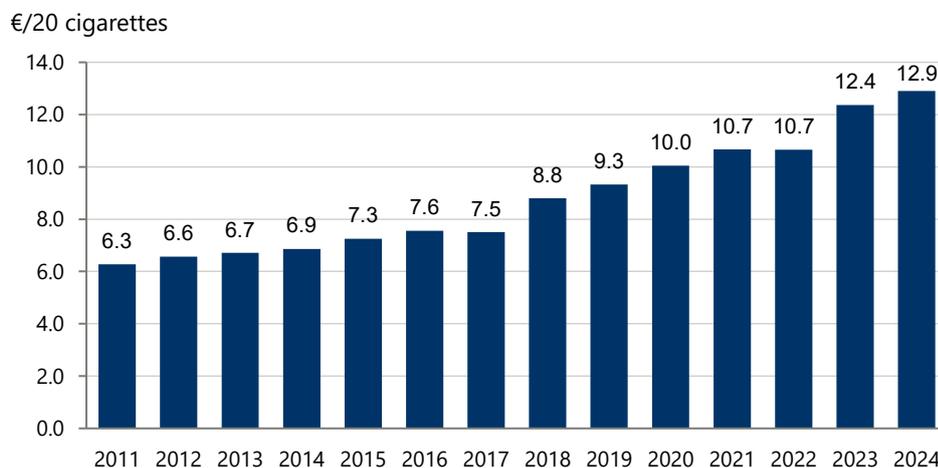
Fig. 3. Weighted average price (WAP) in EU Member States, 2024



Source: European Commission

Furthermore, the gap has widened over time: **in 2011, prices ranged from €2.20 per pack in Bulgaria to €8.47 in Ireland, a difference of €6.27 per pack, compared with €12.90 in 2024.**

Fig. 4. Evolution of the weighted average cigarette price (WAP) gap between Bulgaria and Ireland, 2011-2024



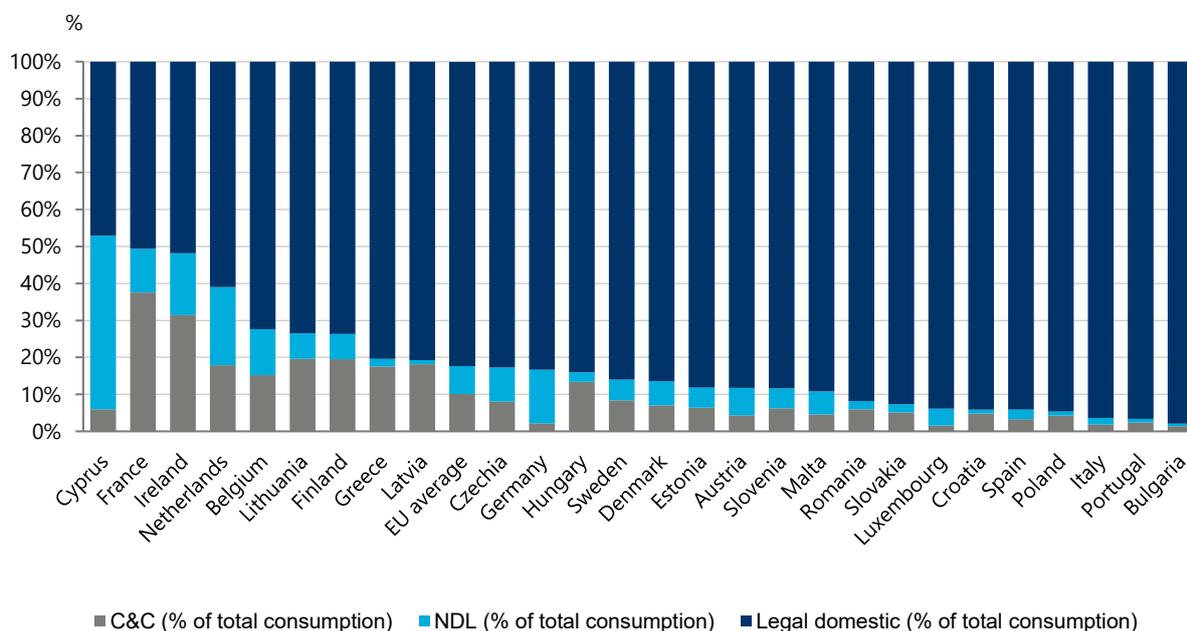
Source: European Commission

Price differences can influence consumer behaviour, alongside other factors such as enforcement capacity and market structure (including the relative shares of legal domestic sales, cross-border purchases, and illicit products). Member States with higher retail prices tend to exhibit greater shares of duty-not-paid (DNP) cigarette consumption—comprising both contraband and counterfeit (C&C) products and non-domestic legal (NDL) purchases. In 2024, France, Ireland, and the Netherlands recorded some of the highest DNP shares in the EU—49%, 48%, and 39% of total consumption, respectively. In contrast, lower-price markets such as Poland and Bulgaria reported much lower levels, at just 4% and 2% of total cigarette consumption.⁷

These patterns indicate that the TED has delivered more consistent outcomes across the majority of Member States once a small group of high-tax outliers (Ireland, France, the Netherlands, Finland, Belgium and Denmark) are set aside. These outliers disproportionately influence EU-wide averages, masking a broader pattern of convergence among the remaining Member States. Among the group that excludes the outliers, excise and price levels fall within a narrower range, indicating a greater degree of convergence in outcomes under the Directive.

⁷ Oxford Economics calculations using KPMG data.

Fig. 5. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in EU Member States, 2024



Source: KPMG

Taken together, these findings suggest that while excise and price differentials remain central to explaining cross-border and illicit cigarette flows, structural and geographic conditions can also shape national outcomes. The purpose of this section is not to examine these dynamics in detail across all Member States, but rather to highlight a few notable examples that illustrate the diversity of outcomes under the TED. Chapter 3 then explores these dynamics in greater depth through six country case studies, analysing how differing excise policy trajectories and price environments have influenced consumption patterns, market structures, and fiscal performance.

1.3 EMERGING CHALLENGES IN IMPLEMENTATION

While the TED has provided a coherent framework for harmonising excise structures and setting minimum rates across the EU, several developments in the tobacco and nicotine market have introduced new challenges for policy implementation. These relate primarily to (i) the growing importance of novel products not currently covered by the TED, and (ii) continued divergence in national excise design and administration.

1.3.1 Expansion of new nicotine products not explicitly covered by the TED

In recent years, the EU nicotine market has expanded beyond traditional manufactured tobacco products to include a variety of new tobacco and non-tobacco nicotine products. These include heated tobacco (HTP), e-cigarettes, and nicotine pouches, most of which fall outside the categories harmonised under the TED. The market share of products not explicitly covered in the TED increased

from around 4% in 2018 to nearly 13% in 2023. Among these, heated tobacco currently holds the largest share in both sales value and user base.⁸

As of the end of 2024, 26 out of the 27 EU Member States apply excise duties to HTPs.⁹ However, the structure and level of taxation vary widely. Some countries apply a mix of ad valorem and specific components — for instance, Portugal levies 15% of the retail selling price plus €93.5 per kilogram, with a minimum of €180 per kilogram — while others rely on specific rates only, which may be set per kilogram (as in the Netherlands, €347/kg) or per 1,000 items (as in Hungary, €90/1,000 sticks). A few Member States also differentiate between formats: France, for example, applies separate rates for HTP sticks and other product types, and Sweden taxes HTP sticks at the same rate as cigarettes, but other formats by weight.¹⁰

Taxation practices for other non-harmonised nicotine products also vary. France and the Netherlands do not apply an excise tax on e-cigarette liquids whereas other Member States impose flat-rate duties between €0.09/ml in Hungary and €0.70/ml in Slovenia. This divergence has resulted in a fragmented regulatory landscape and can produce incentives for substitution toward cheaper alternatives or between product types.¹¹

The absence of harmonised definitions and minimum excise rates for new nicotine products presents ongoing administrative and policy challenges. Member States face increasing complexity in maintaining consistency across product categories, while at the EU level, these differences risk undermining the broader goals of the TED—namely, promoting market integration, preventing distortions, and supporting public health objectives.

1.4 OUTLOOK: REVISION OF THE TED

The analysis shows that, while the TED has created a unified framework for excise coordination across the EU, notable differences remain in price levels, tax structures, and enforcement outcomes. Persistent price gaps between Member States have been observed in countries implementing aggressive tax policies that far exceed the EU minima. Replicating such policies across other markets, given differences in purchasing power and broader economic conditions risks incentivising illicit activity.

The emergence of new nicotine products has further challenged the TED's scope, as these categories fall outside the harmonised structure.

In response to these developments, the European Commission announced proposals in July 2025 to update the TED.¹² The proposed reforms include:

⁸ European Commission, [“Study on the impact analysis of a review of tobacco taxation rules”](#), 2025, accessed October 2025

⁹ Malta remains the only Member State where HTPs are banned.

¹⁰ European Commission, [“Study on the impact analysis of a review of tobacco taxation rules”](#), 2025, accessed October 2025

¹¹ European Commission, [“Study on the impact analysis of a review of tobacco taxation rules”](#), 2025, accessed October 2025

¹² European Commission, [“Proposal for a COUNCIL DIRECTIVE on the structure and rates of excise duty applied to tobacco and tobacco related products”](#), 2025, accessed October 2025

- increasing the Minimum Excise Duty (MED) using a combined approach where two thirds of the minimum rate for each Member State would be expressed in nominal terms and that one third would be adjusted to purchasing power based on each Member State' Price Level Index;
- introducing triennial updates of the MED to account for inflation and ensure rates remain relevant over time; and
- extending the scope of the TED to cover new nicotine products such as heated tobacco, e-cigarettes, nicotine pouches and other nicotine products.

These proposed adjustments are designed to improve alignment between Member States' taxation systems and address structural disparities that have emerged since 2011.

Overall, while the TED has established a unified framework for the taxation of tobacco products, implementation outcomes have differed widely across Member States.

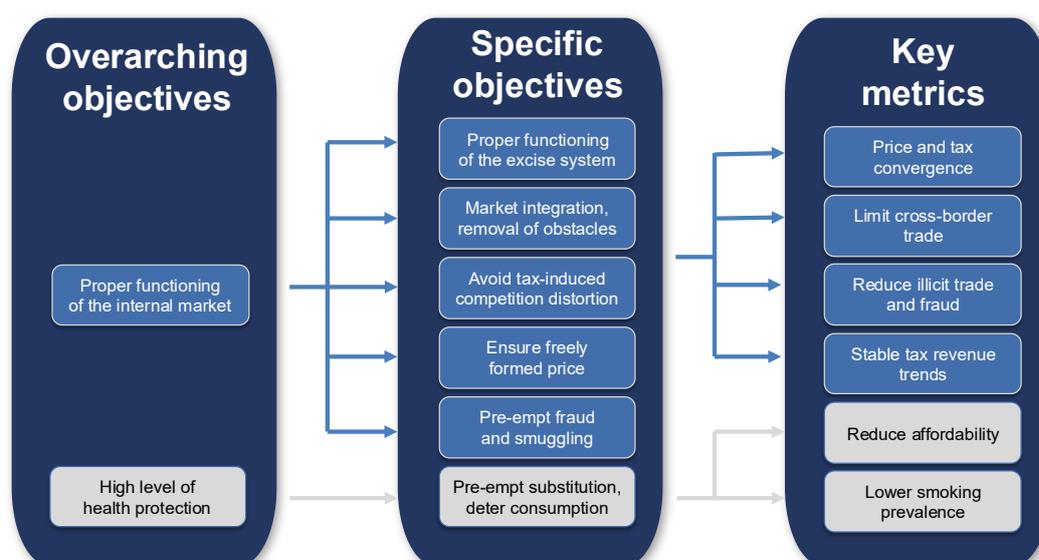
As the European Commission considers how to modernise the directive, future reforms should be informed by the lessons of Member States' experience to date. This analysis provides a structured evidence base to support that process. Oxford Economics has developed an evaluation framework to assess the TED's effectiveness against its key objectives, offering policymakers a consistent tool to gauge outcomes and guide future policy design.

Chapter 2 builds this analytical framework to assess these outcomes more systematically. It maps the TED's objectives to a series of measurable indicators to provide a consistent basis for evaluating national experiences. **Chapter 3** then applies this framework to six Member States—Belgium, Czechia, France, Hungary, the Netherlands, and Poland—illustrating how differences in excise policy and market conditions have shaped outcomes across the EU. **Chapter 4** brings these findings together to draw overarching conclusions and policy lessons for the future direction of the TED.

2. EVALUATING THE SUCCESS OF THE TED

To evaluate the effectiveness of the directive across six Member States—Belgium, Czechia, France, Hungary, the Netherlands, and Poland—we have mapped the TED’s objectives to the following key metrics and identified how they can measure success:

Fig. 6. Key metrics to be used in the assessment



Key metrics for a proper functioning of the internal market

1. **Price and tax convergence:** the extent to which Member States’ rates and price levels are aligning. Persistent disparities would indicate possible distortions within the internal market.
2. **Cross-border trade and non-domestic flows (NDL):** the scale of consumption or trade across borders driven by tax or price differentials, including whether consumers or smugglers exploit these gaps. This includes **NDL**—cigarettes purchased legally in another country and brought back by consumers, for example, during cross-border trips.
3. **Illicit trade and fraud:** estimates of illegal cigarette consumption, seizures, and tax evasion, serving as indicators of market malfunction or the growth of parallel illegal markets.
4. **Tax revenue trends:** whether Member States maintain stable revenue from tobacco, showing that taxation is effective, and collection systems function correctly.

High level of health protection

5. **Reduce affordability:** whether the MED has raised price floors, limited access to low-cost products, and reduced incentives for price-driven distortions.
6. **Smoking prevalence:** changes in smoking rates before and after the 2011 directive, to assess whether the policy has contributed to reductions in tobacco use over time.

This section outlines the metrics and data sources guiding our analysis. Since Member States have implemented the TED at different speeds and in varying ways, these indicators will help capture divergences—particularly in response to excise duty increases—and support comparative lessons across countries.

Data foundations for analysis

The following table sets out the key indicators used to assess tobacco excise tax outcomes. It brings together measures on price and tax convergence, cross-border and non-domestic flows, illicit trade, revenue trends, affordability, and smoking prevalence. For each area, the table lists the relevant metrics, their corresponding data sources, and what a successful outcome would entail.

Section 3 will use the indicators shown in Figure 6 to assess the effectiveness of tobacco tax policy in six EU Member States—Belgium, Czechia, France, Hungary, the Netherlands, and Poland—against the objectives set out in the TED.

Indicators of smoking prevalence were reviewed but ultimately excluded from the core assessment due to inconsistencies between major sources. For example, WHO data suggest stable prevalence in France over time, while Eurobarometer data show a decline. Consumer affordability was considered only as an intermediate indicator rather than a core outcome, as its effects are captured through price and consumption trends.

Fig. 7. Required data and the suggested public source

Objective	Metric	Source	Description	Determinant of TED success
Price and tax convergence	Average excise tax per pack	European Commission	Excise yield (€/20 cigarettes)	Price differentials across the six key countries should narrow post-2011.
	Average price per pack	European Commission	Weighted Average Price (€/pack of 20 cigarettes)	
Cross-border trade and non-domestic flows	Legal non-duty paid as a proportion of total consumption	KPMG	NDL as a share of total manufactured cigarette consumption ¹³	The share of NDL cigarettes should stay low or decline, while price gaps with bordering countries narrowed to limit cross-border purchases.
	Average price per pack of the bordering countries	European Commission	Weighted Average Price (€/pack of 20 cigarettes)	
Illicit trade and fraud	Illicit consumption as a proportion of total consumption	KPMG	C&C as a share of total manufactured cigarette consumption	The share of C&C cigarettes should remain low or decline, indicating that excise increases are not offset by illicit trade.
Tax revenue trends	Real excise revenue	European Commission	Revenues from taxes on consumption (excise duties and similar charges) other than VAT by cigarettes	Real excise revenues should remain stable or grow over time, even as consumption declines.
Reduce affordability	Minimum excise tax per pack	European Commission	Minimum Excise Tax (€/20 cigarettes)	The minimum excise tax should raise the price of the cheapest products, and prices should keep pace with income, so affordability does not unintentionally increase.
	Cheapest products available	WHO	Tobacco retail price for a pack of 20 cigarettes: premium brand and cheapest brand (2022 only)	
	Average price per pack compared to disposable income	European Commission, Eurostat	Weighted Average Price (€/20 cigarettes) divided by gross disposable income of households per capita in Purchasing Power Standard ¹⁴	
Smoking prevalence	Smoking prevalence ¹⁵	WHO	Estimate of current cigarette smoking prevalence (%) (age-standardised rate)	The share of the population identified as current smokers should steadily decline.

¹³ Total cigarette consumption is the sum of LDC, C&C and NDL. LDC—Legal Duty Paid (cigarettes purchased and consumed in the same country with all duties paid), C&C—Contraband & Counterfeit (illicit cigarettes that evade taxes or are fake products), NDL—Non-Domestic (Legal) (cigarettes purchased legally in another country and brought back by consumers, e.g., during cross-border trips).

¹⁴ Purchasing power standards (PPS) are a way of adjusting income or price data so that they are comparable across countries with different cost-of-living levels.

¹⁵ Smoking prevalence data from WHO are only reported for specific benchmark years (2010, 2015, 2020, 2021, 2022, and 2025). To produce annual estimates, we derived values for the missing years by assuming steady trends between the available data points.

3. COUNTRY CASE STUDIES

This section assesses how effective tobacco tax policy has been in six EU Member States—Belgium, Czechia, France, Hungary, the Netherlands, and Poland—in terms of achieving the objectives of the TED. The analysis focuses on four main policy goals, making allowances for national context and confounding factors:

1. **price and tax convergence,**
2. **cross-border purchasing (legal trade)**
3. **counterfeit & contraband (illegal) trade, and**
4. **tax revenue trends.**

For each country, performance against these goals is evaluated using comparable indicators on prices, consumption patterns, and fiscal outcomes. Price convergence is assessed by comparing each country's weighted average price (WAP) per pack with that of neighbouring countries^{16,17} and the EU average. Since price levels largely reflect changes in excise duties, separate assessment of tax convergence was not necessary.

Cross-border trade and illicit activity are measured as a share of total cigarette consumption, distinguishing between **non-domestic legal (NDL)** and **contraband and counterfeit (C&C)** products. Together, these constitute the **duty-not-paid (DNP)** part of total cigarette consumption. Volume data are also examined to determine whether changes in market shares reflect substitution between product types or a broader decline in overall cigarette use.

Tax revenue performance is analysed using real excise receipts—calculated by deflating nominal revenues on cigarette consumption by the GDP deflator¹⁸. For France, Czechia, and Hungary, 2023 values are used as 2024 data were not yet available.

To illustrate how these dynamics play out across different market conditions, six Member States were selected to illustrate contrasting price environments and policy outcomes across the EU. France, the Netherlands, and Belgium represent high-price markets where cigarette prices exceed those of neighbouring countries and the EU average. In contrast, Hungary, Poland, and Czechia maintain comparatively low-price environments, despite steady progress toward EU minimum excise requirements.

¹⁶ Neighbouring countries are defined as those sharing an intra-EU land or maritime border. The purpose of this classification is to identify locations where cross-border purchases of excise goods are most feasible. Certain maritime borders have been excluded based on limited ferry connectivity, availability of alternative transport routes (e.g. rail), and low passenger traffic. For this analysis, a maritime border is included only where an active ferry route operates with at least five crossings per day. Additional intra-EU neighbouring countries have been considered where significant non-domestic legal (NDL) flows were identified, based on findings from *KPMG, Illicit Cigarette Consumption in Europe, June 2025*.

¹⁷ Only neighbouring countries with a WAP than the Member State in question were included, as these represent the most relevant cross-border alternatives. In the case of Poland, no neighbouring Member State had a lower WAP; therefore, the average WAP of neighbouring countries—regardless of price level—was used for comparative purposes.

¹⁸ The GDP deflator is a measure of the price level of all new, domestically produced, final goods and services in an economy.

The results are presented in two parts: **Section 3.1** examines the higher-tax, higher-price Member States (France, the Netherlands, and Belgium), while **Section 3.2** focuses on the lower-tax, lower-price Member States (Hungary, Poland, and Czechia).

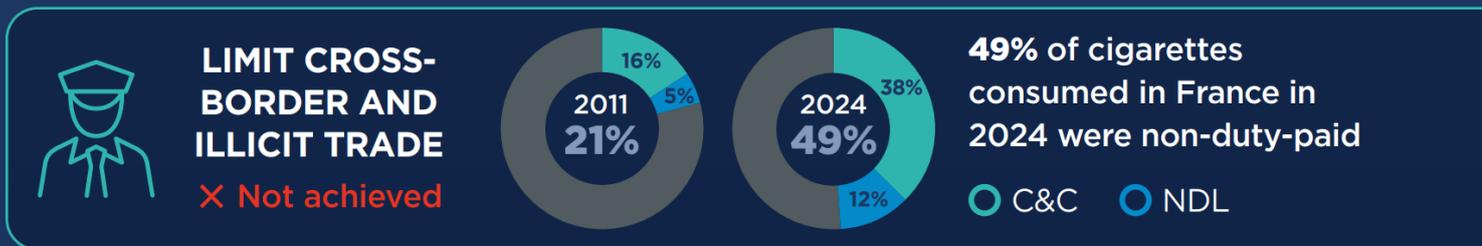
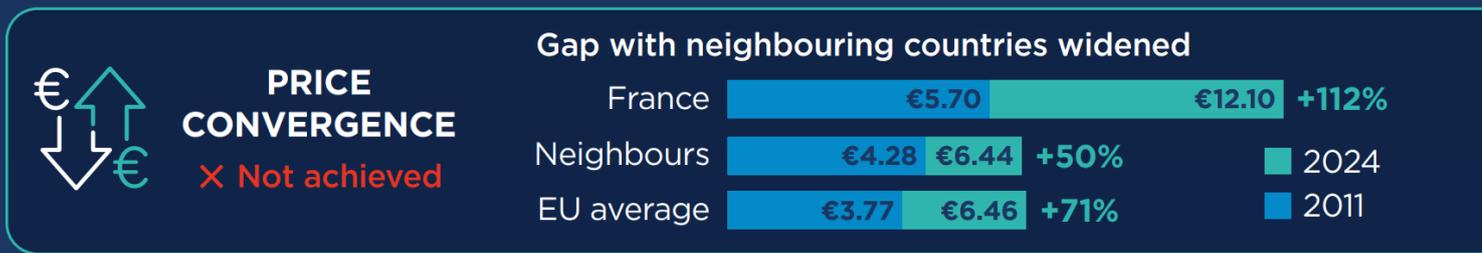
FRANCE

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH



POLICY GOAL OUTCOMES



France's aggressive tobacco tax policy—far exceeding EU minimum rates—has not met its objectives. While domestic legal consumption declined, the rise in cross-border and illicit purchases offset the impact, undermining fiscal goals and failing to deliver the expected drop in total consumption.

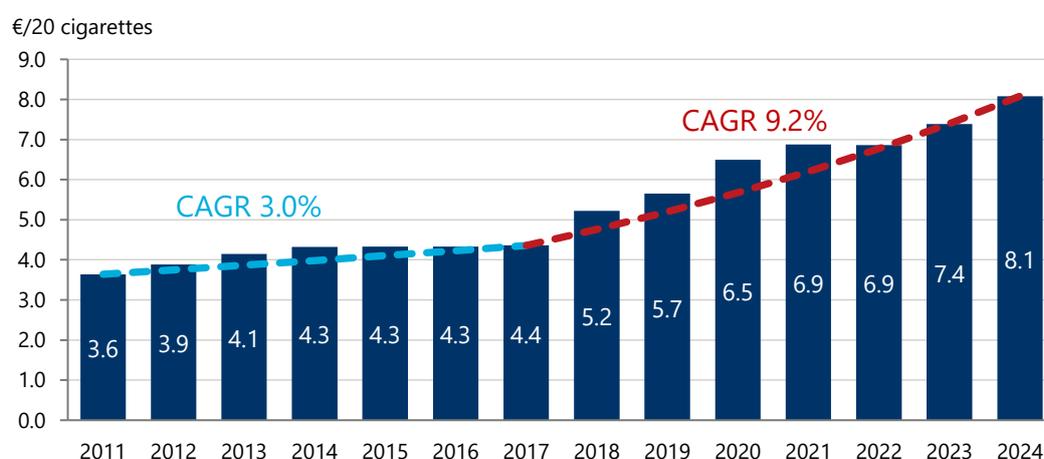
Neighbouring countries included are those with lower WAP levels. Totals may not sum due to rounding.

3.1 HIGH-TAX MEMBER STATES

3.1.1 France case study

France is among the countries with the most aggressive tobacco taxation policies. The excise yield rose by 122% between 2011 and 2024, with steady increases from 2011 to 2017, when yields ranged between €3.64 and €4.36 per pack of 20 cigarettes. In 2018, a sharp hike of around 20% marked the start of a faster upward trend, bringing the yield to €8.08 by 2024. This acceleration is linked to the 2018–2022 National Tobacco Control Strategy, which set a target price of €10 per pack, achieved in 2020 through successive increases.¹⁹

Fig. 8. Excise yield in France, 2011 to 2024



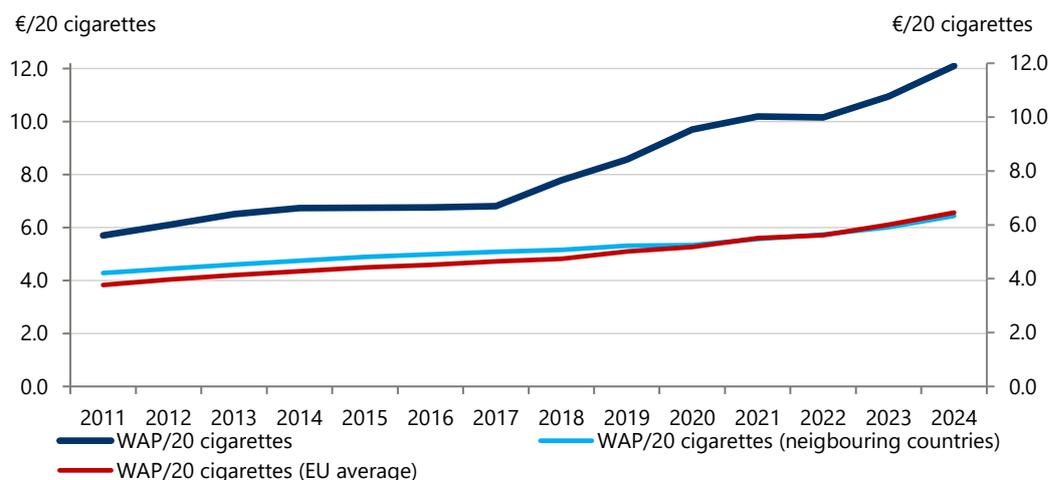
Source: European Commission

Objective: Price convergence

Excise hikes translated directly into higher retail prices. Between 2011 and 2024, the average price of a 20-cigarette pack surged from €5.70 to €12.10, an increase of 112%. By comparison, prices in neighbouring countries and across the EU remained much lower, increasing by about 50% and 71% respectively over the same period, to reach €6.44 and €6.46 per pack in 2024. Following the launch of the National Tobacco Control Strategy in 2018, the gap with both neighbours and the EU average widened further.

¹⁹ The Independent, ["France to raise price of cigarettes in bid to stub out national nicotine habit"](#), accessed September 2025

Fig. 9. WAP of cigarettes in France, neighbouring countries²⁰, and the EU average, 2011 to 2024

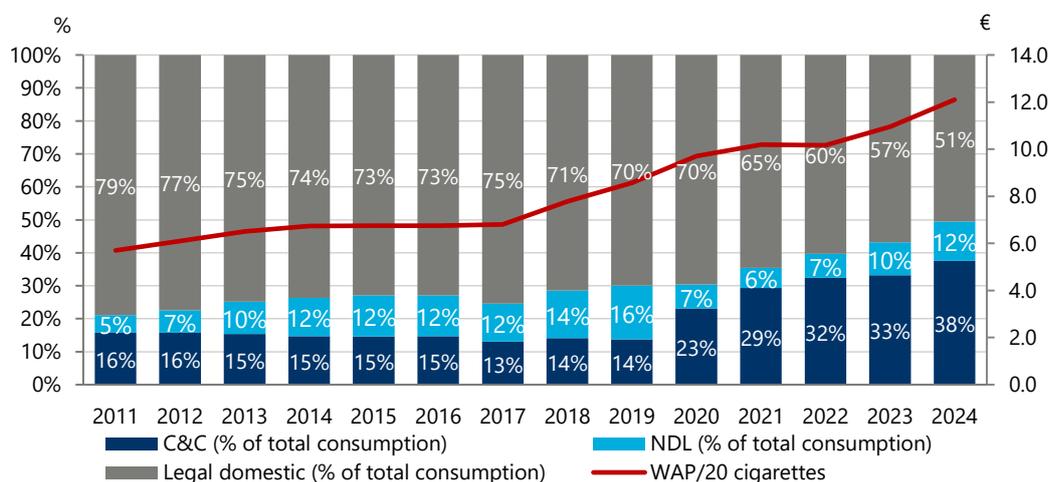


Source: European Commission

Objective: Limit cross-border and illicit trade

Nearly half of all cigarettes consumed in France now fall outside the domestic tax base. The share of C&C consumption has been increasing, reaching 38% of total consumption in 2024. At the same time, NDL purchases rose steadily until 2019. This trend reversed during the Covid-19 pandemic, when travel restrictions curtailed cross-border purchases.²¹ Since then, however, the share of NDL tobacco in overall consumption appears to be rebounding.

Fig. 10. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in France, 2011 to 2024



Source: European Commission, KPMG

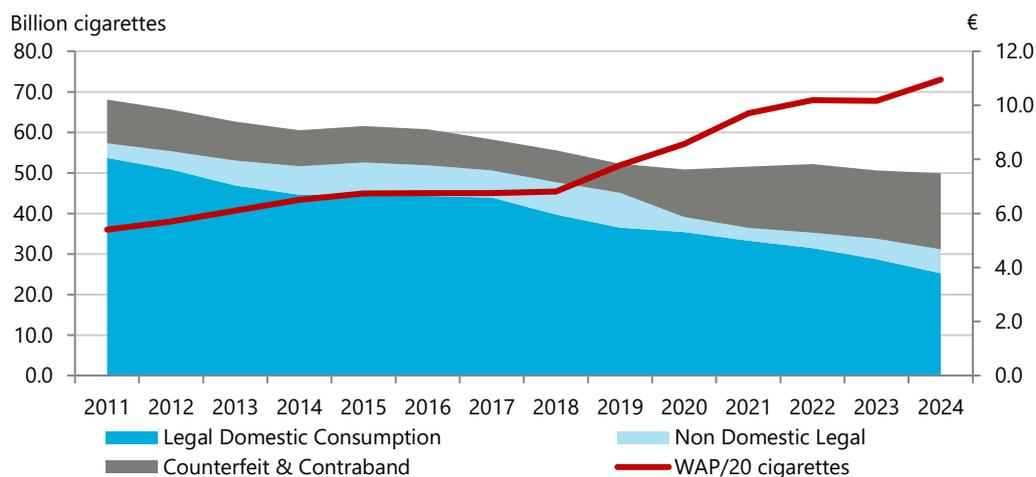
While legal domestic sales have declined steadily, the consumption of C&C has risen, particularly in recent years, contributing to the growing share on non-domestic and illicit products in total

²⁰ This is the average WAP in Spain, Luxembourg, Italy, Germany, and Belgium.

²¹ KPMG, "Illicit cigarette consumption in Europe", 2024, accessed September 2024

consumption. Between 2022 and 2024, NDL cigarettes consumed in France increased by 55%, from 3.8 billion to 5.9 billion cigarettes. Over the same period, C&C cigarette consumption rose from 16.9 to 18.8 billion cigarettes, an increase of 11%. France now accounts for 48% of the C&C consumption in the EU. High prices at home have encouraged substitution from legal domestic purchases to cheaper DNP alternatives, with illicit cigarettes widely available in France.²²

Fig. 11. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in France, 2011 to 2024



Source: European Commission, KPMG

Objective: Maintain stable tax revenues

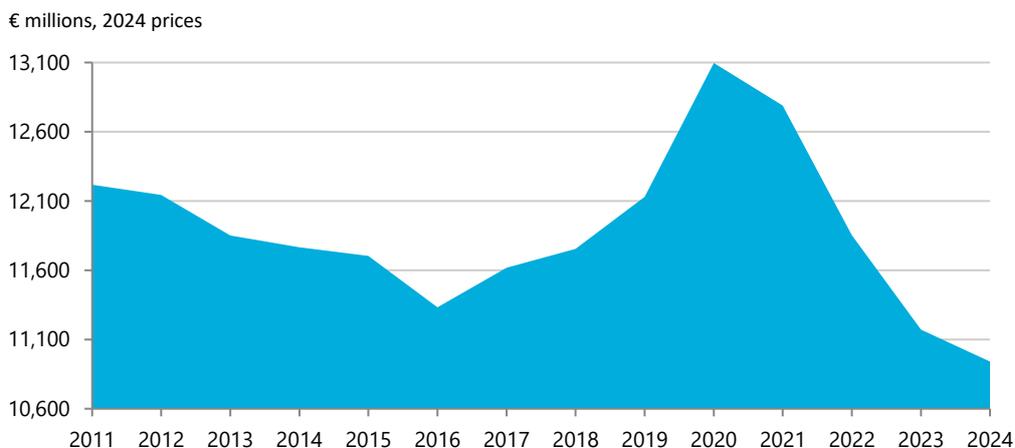
Real tax receipts from cigarettes in France declined modestly between 2011 and 2024, with a compound annual growth rate (CAGR) of -0.8%. Recent French tax policy has been characterised by large tax increases intended to raise prices and reduce legal domestic consumption. However, high cigarette prices have simultaneously encouraged the growth of DNP, which has eroded the taxable base. According to KPMG the French government lost approximately €9.5 billion in tax revenue in 2024 due to C&C activity.^{23,24}

²² The Guardian, "France struggles to stub out 'explosion' in contraband cigarettes", accessed September 2025

²³ KPMG, "Illicit cigarette consumption in Europe", June 2025, accessed October 2025

²⁴ Total tax revenue lost represents estimated excise and VAT if C&C volumes had been consumed legally in the country.

Fig. 12. Real cigarettes excise tax receipts in France, 2011 to 2024



Source: European Commission

Assessment and implications

France’s tobacco taxation policy—among the most aggressive in the EU—has achieved its goal of substantially raising cigarette prices, but with significant trade-offs. Legal domestic consumption has fallen, but this has been to a considerable extent offset by sharp increases in non-domestic legal purchases and illicit trade. These shifts have undermined the fiscal objectives of the policy.

Following a period of moderate excise increases from 2011 to 2017—which led to declining sales volumes and excise receipts—France implemented one of the most aggressive excise hikes ever recorded, nearly doubling its already high tax level by 2024. While this initially drove substantial tax revenue growth, peaking in 2020, the subsequent collapse has been striking: by 2024, real cigarettes excise tax receipts fell below 2011 levels despite an excise rate per pack that was 225% higher (€8.10 in 2024 versus €3.60 in 2011).



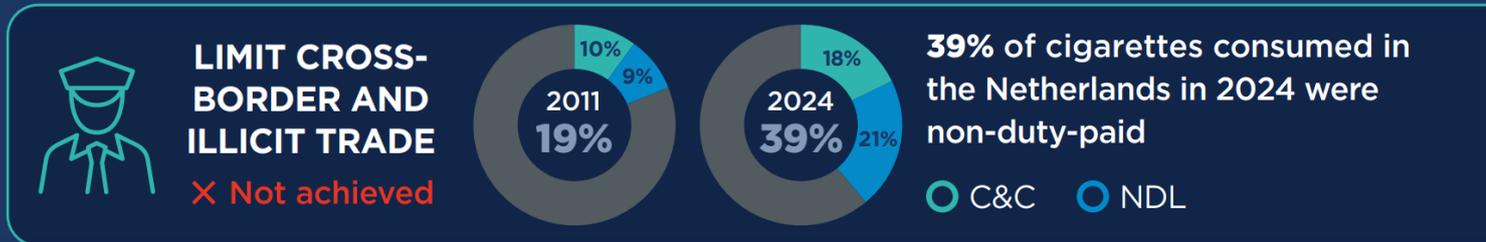
NETHERLANDS

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH



POLICY GOAL OUTCOMES



The Netherlands' accelerated tobacco tax strategy has not achieved its intended outcomes. Although domestic legal sales have declined, the fiscal and public health impact has been diluted by increased cross-border purchases and illicit trade at nearly 40%. These unintended consequences, driven by aggressive and abrupt excise increases in a compressed timeframe, have undermined revenue targets and failed to produce a significant reduction in overall tobacco consumption.

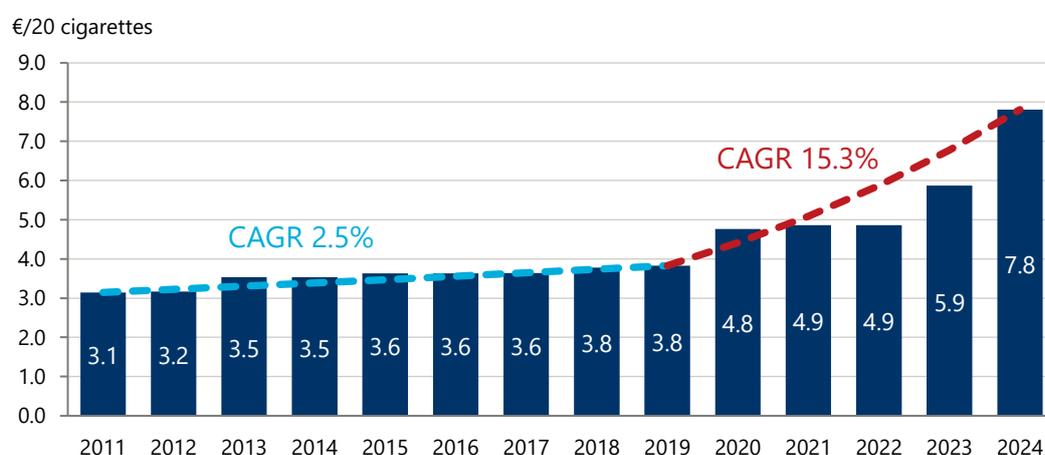
Neighbouring countries included are those with lower WAP levels. Totals may not sum due to rounding.

3.1.2 The Netherlands case study

The Netherlands implemented gradual excise increases up to 2019, followed by sharper hikes under the National Prevention Agreement, which aims to achieve a “smoke-free generation” by 2040. The government raised the excise duty from €5.87 in 2023 to €7.81 in 2024, pushing the average pack price from €8.27 to €10.50.

These fiscal measures have been accompanied by broader tobacco control actions, including a ban on online tobacco sales (effective July 2023) and a ban on tobacco sales in supermarkets and catering establishments from July 2024. In addition, the government introduced a registration duty for tobacco outlets in 2024 to reduce and shrink the network of retail points.²⁵ By 2032, only specialist tobacco shops will be permitted to sell tobacco products.²⁶

Fig. 13. Excise yield in the Netherlands, 2011 to 2024



Source: European Commission

Objective: Price convergence

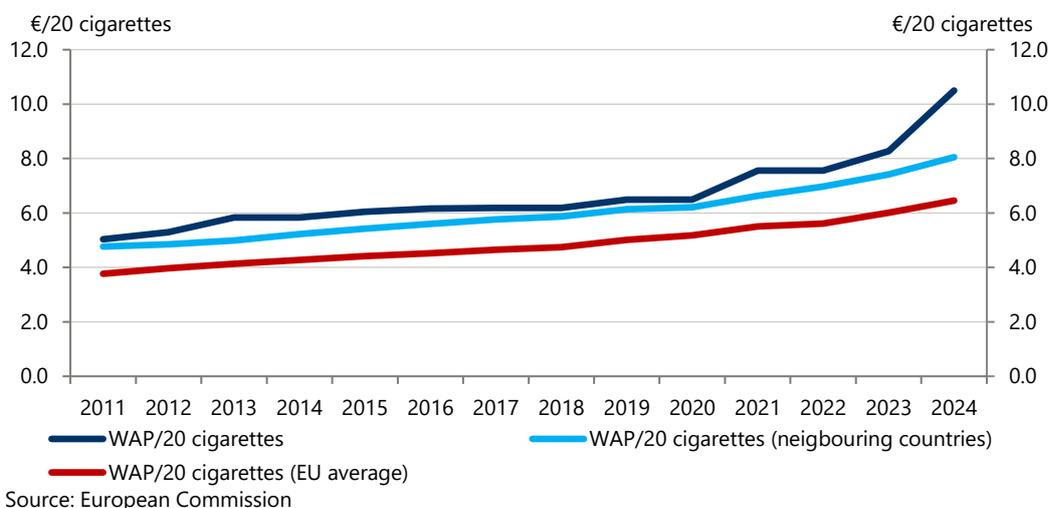
Excise increases in the Netherlands fed directly through to higher retail prices. Between 2011 and 2024, the average price of a 20-cigarette pack more than doubled, rising from €5.03 to €10.50. In comparison, prices in neighbouring countries and across the EU rose by around 70% over the same period, reaching €8.05 and €6.46 per pack, respectively, in 2024.

The sharper excise hikes introduced from 2020 onwards led to a widening price gap between the Netherlands, its neighbours, and the broader EU average.

²⁵ Government of the Netherlands, “[Registration duty for tobacco outlets](#)”, accessed October 2025

²⁶ Government of the Netherlands, “[Government measures to discourage smoking](#)”, accessed October 2025

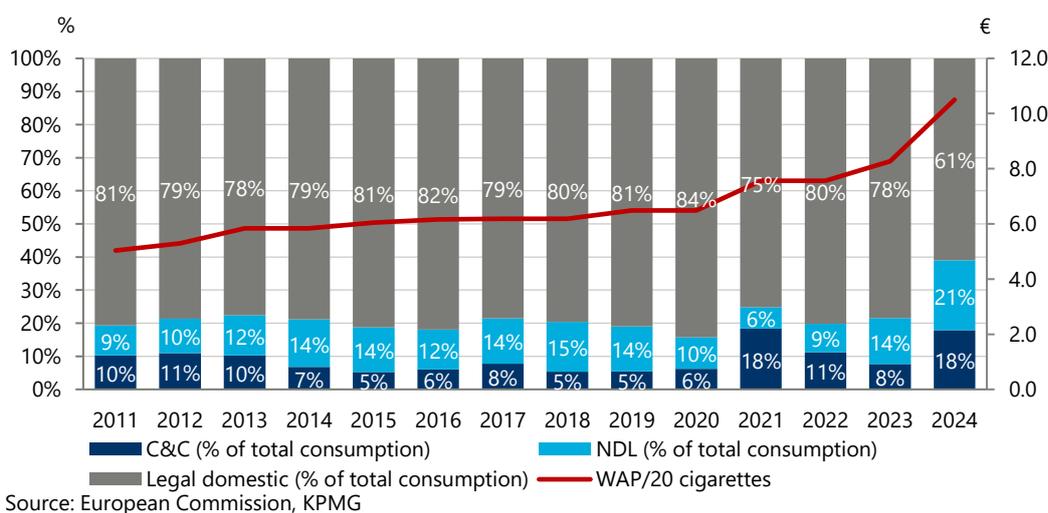
Fig. 14. WAP of cigarettes in the Netherlands, neighbouring countries²⁷, and the EU average, 2011 to 2024



Objective: Limit cross-border and illicit trade

Around 40% of all cigarettes consumed in the Netherlands now fall outside the domestic tax base. Following temporary COVID-related disruption, DNP consumption stabilised but remained high, with a gradual shift from C&C to NDL. Following the 2024 excise increase, both C&C and NDL shares rose again, to 18% and 21%, respectively, while domestic legal cigarettes fell to around 61% of total consumption.

Fig. 15. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in the Netherlands, 2011 to 2024

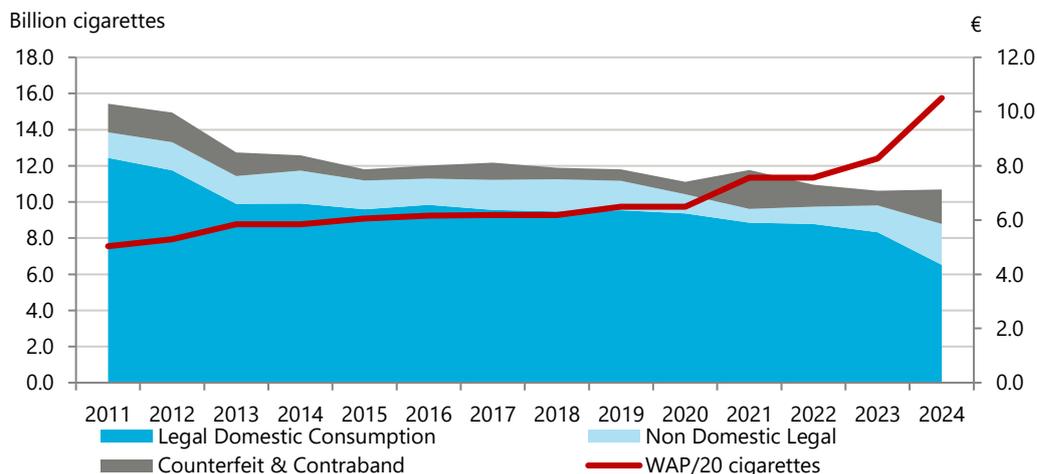


While legal domestic sales have declined steadily, overall DNP consumption has remained high, fluctuating mainly in response to travel restrictions and tax changes rather than underlying demand.

²⁷ This is the average WAP in Germany and Belgium.

Between 2020 and 2024, NDL volumes increased from 1.1 to 2.3 billion cigarettes, while C&C volumes rose from 0.7 to 1.9 billion. These trends suggest that high domestic prices encourage substitution toward more affordable, DNP products.

Fig. 16. Volume of legal domestic consumption of cigarettes, duty-not paid cigarettes, and WAP of cigarettes in the Netherlands, 2011 to 2024



Source: European Commission, KPMG

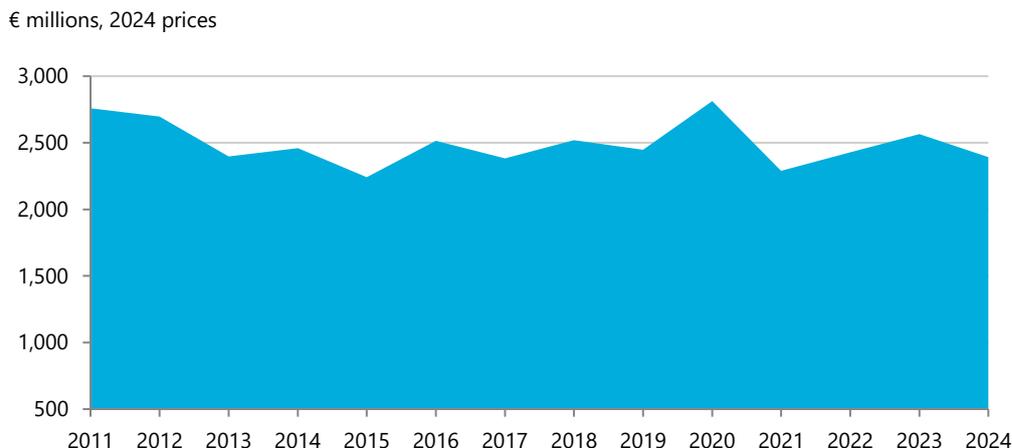
Objective: Maintain stable tax revenues

Real tax receipts from cigarettes in the Netherlands declined modestly between 2011 and 2024, with a CAGR of -1.1%. Recent tax policy has been characterised by large tax increases intended to raise prices and reduce legal domestic consumption. However, high cigarette prices have simultaneously encouraged the growth of DNP volumes, which has eroded the taxable base. KPMG estimates that the Dutch government lost approximately €869 million in tax revenue in 2024 due to C&C activity.^{28,29}

²⁸ KPMG, “[Illicit cigarette consumption in Europe](#)”, June 2025, accessed October 2025

²⁹ Total tax revenue lost represents estimated excise and VAT if C&C volumes had been consumed legally in the country.

Fig. 17. Real cigarettes excise tax receipts in the Netherlands, 2011 to 2024



Source: European Commission

Assessment and implications

The Netherlands’ tobacco tax policy — initially implemented through gradual increases and then followed by sharp hikes under the National Prevention Agreement — has achieved substantial price increases but with notable trade-offs. While the average pack price more than doubled between 2011 and 2024, this fuelled a rise in DNP consumption, now accounting for nearly 40% of total cigarette use.

After a decline in the early 2010s, legal domestic cigarette consumption remained relatively stable for much of the period. However, the large excise increase implemented in 2024 coincided with a marked decline in legal volumes, as consumers increasingly substituted toward duty-not-paid products. Real excise revenues declined modestly over the period, reflecting recent pressure on the taxable base alongside persistently high DNP consumption. Absent further measures to contain illicit and non-domestic purchasing, these dynamics risk further weakening excise revenues, echoing developments in other high-price markets, including France.

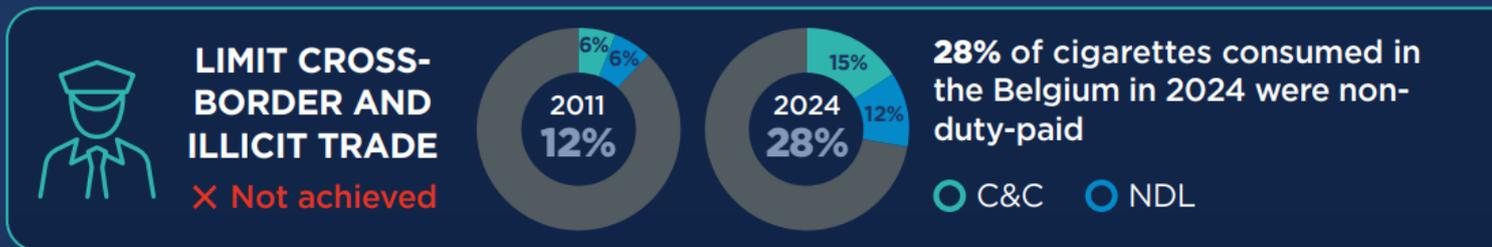
BELGIUM

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH



POLICY GOAL OUTCOMES



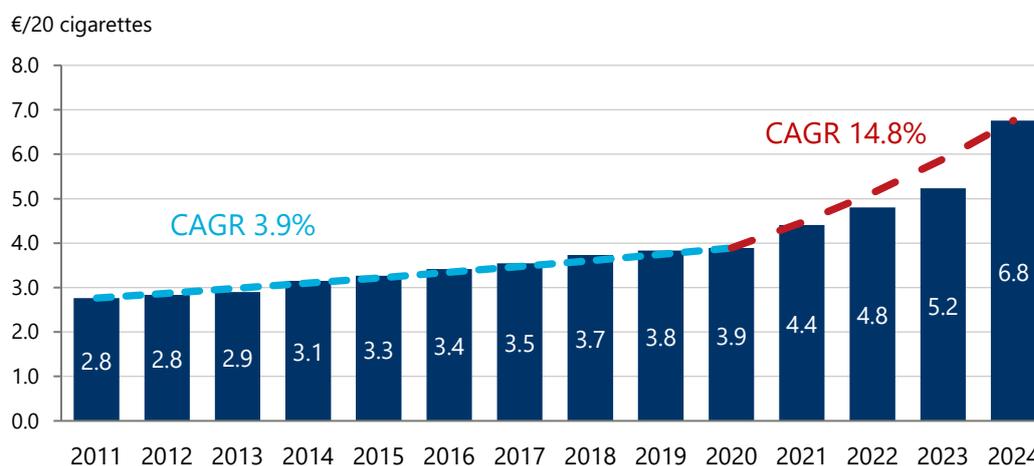
Belgium gradually increased its tobacco taxes until 2020, after which the pace of increases accelerated, culminating in a sharp 29% increase between 2023 and 2024. While fiscal revenues increased, Belgium's other policy objectives were not met. Legal domestic consumption declined, but this was partially offset by the rise in non-domestic and illicit purchases which limited further fiscal gains.

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

3.1.3 Belgium case study

The Belgian government has gradually increased tobacco excise duties over time as part of its efforts to discourage consumption and align with broader EU objectives. The most recent and steeper increase raised the excise duty from €5.23 in 2023 to €6.76 in 2024.^{30,31}

Fig. 18. Excise yield in Belgium, 2011 to 2024



Source: European Commission

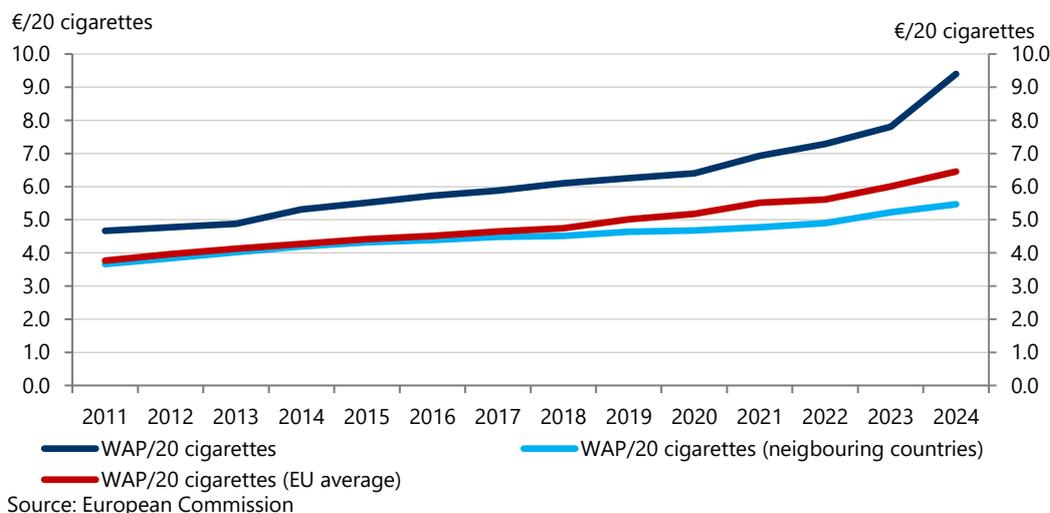
Objective: Price convergence

Excise tax increases have translated directly into higher retail prices. Between 2023 and 2024, the average price of a 20-cigarette pack rose sharply from €7.81 to €9.40, an increase of around 20%, reflecting the steeper excise adjustment. Over the 2011–2024 period, prices in neighbouring countries — including Germany, Poland, Luxembourg, and — as well as the EU average have remained consistently lower than in Belgium. The price gap with neighbouring countries widened markedly from €2.39 per pack in 2022 to €3.93 in 2024, while the differential with the EU average expanded from €1.68 to €2.94 per pack over the same period, underscoring the growing price divergence within the single market.

³⁰ The Brussels Times, "[Belgium will raise tobacco prices by over a euro in 2021](#)", accessed October 2025

³¹ The Brussels Times, "[Cigarette prices to increase by up to €1 in Belgium](#)", accessed October 2025

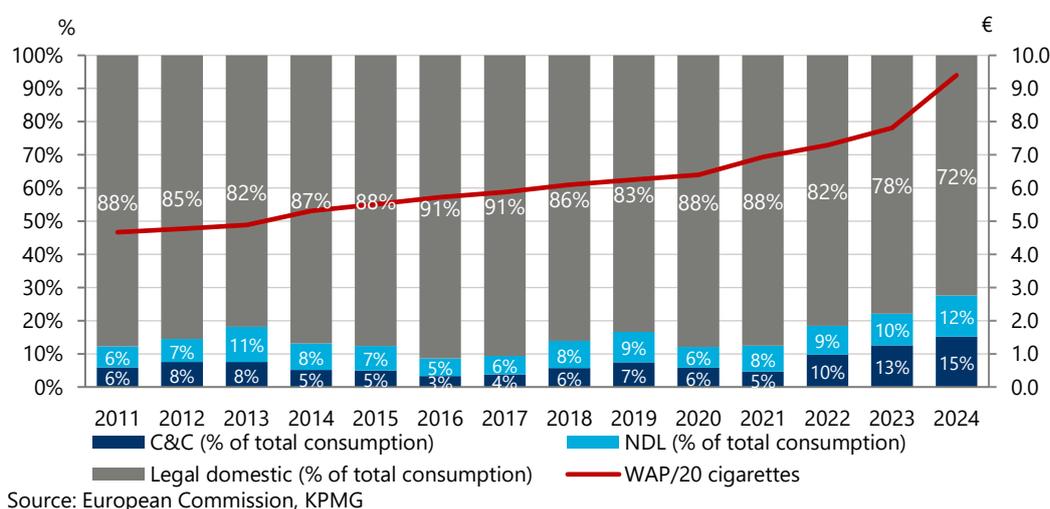
Fig. 19. WAP of cigarettes in Belgium, neighbouring countries³², and the EU average, 2011 to 2024



Objective: Limit cross-border and illicit trade

As domestic excise duties have continued to rise, non-domestic cigarette consumption has also increased. Since 2022, both C&C and NDL shares have increased, bringing total DNP consumption to around 28% of total cigarette consumption in 2024.

Fig. 20. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in Belgium, 2011 to 2024

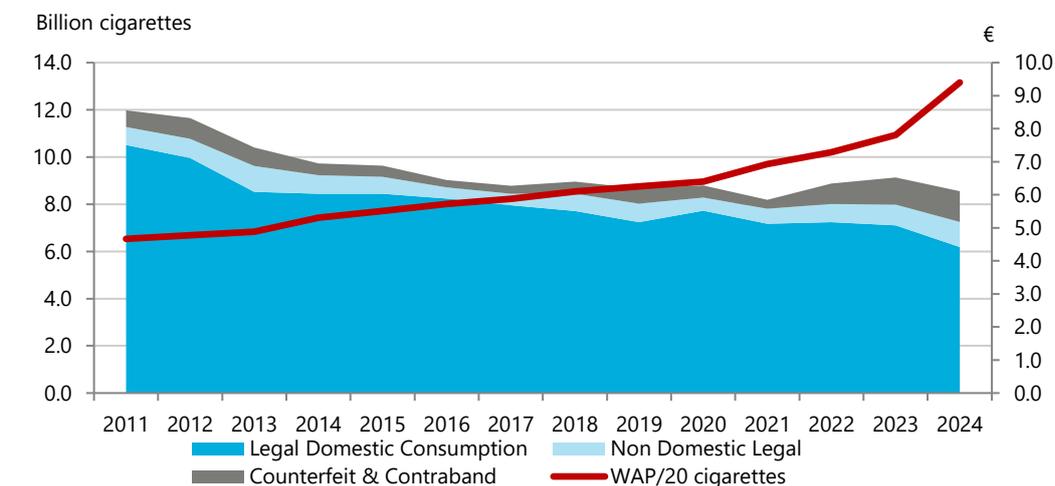


Total cigarette consumption increased by an estimated 4% between 2021 and 2024, driven largely by growth in DNP consumption, which offset the decline in legal domestic sales. C&C volumes rose by 242%, while NDL volumes also increased, though more moderately at around 66%. The growth in DNP consumption reflects sustained cross-border purchasing and Belgium’s ongoing role as a logistics and

³² This is the average WAP in Germany, Poland, and Luxembourg.

distribution hub for cigarette flows within Europe, supported by its strategic location and transport infrastructure, including the port of Antwerp, which connects to major consumer markets such as France and the UK.³³

Fig. 21. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in Belgium, 2011 to 2024



Source: European Commission, KPMG

Objective: Maintain stable tax revenues

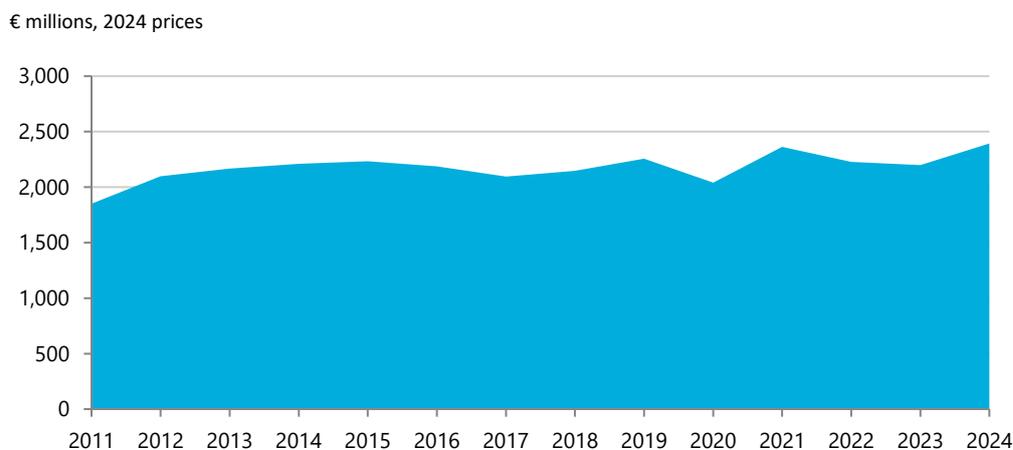
Real tax receipts from cigarettes in Belgium increased steadily between 2011 and 2024, with a CAGR of around 2.0%. This reflects sustained revenue growth supported by successive excise increases that offset declining domestic volumes. However, the expansion of DNP consumption has constrained the full fiscal gains from higher excise rates. KPMG estimates that the Belgian government lost approximately €544 million in tax revenue in 2024 due to C&C activity, underscoring continued pressure on the domestic tax base despite stronger receipts.^{34,35}

³³ The Bulletin, "[Illicit consumption of cigarettes in Belgium rises to 13% says new report amid EU-wide increase](#)", accessed October 2025

³⁴ KPMG, "[Illicit cigarette consumption in Europe](#)", June 2025, accessed October 2025

³⁵ Total tax revenue lost represents estimated excise and VAT if C&C volumes had been consumed legally in the country.

Fig. 22. Real cigarettes excise tax receipts in Belgium, 2011 to 2024



Source: European Commission

Assessment and implications

Belgium’s tobacco excise policy has achieved its objective of raising prices, but at the cost of encouraging non-domestic consumption. Between 2011 and 2024, the average pack price nearly doubled, outpacing regional and EU averages. However, as prices rose, both C&C and NDL shares increased, and total DNP consumption reached around 28% of total cigarette use in 2024.

Real cigarette excise receipts grew at a CAGR of 2.0% over the period, slower than the growth rate of the excise yield, and DNP inflows continue to erode the taxable base, with KPMG estimating annual revenue losses of roughly €544 million in 2024 linked to C&C activity.

POLAND

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH

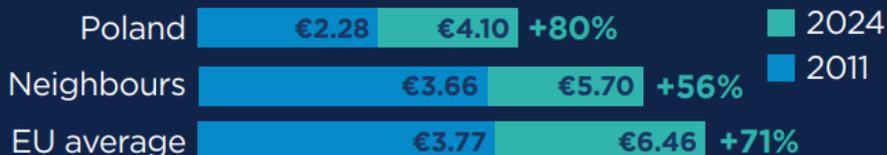


POLICY GOAL OUTCOMES

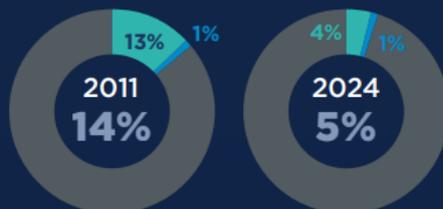


PRICE CONVERGENCE
X Not achieved

Prices remained well below neighbouring countries and EU average



LIMIT CROSS-BORDER AND ILLICIT TRADE
✓ Achieved



The DNP share fell sharply to 5%, driven by a decline in C&C consumption

○ C&C ○ ND



INCREASE FISCAL REVENUES
✓ Achieved



Stable excise increases coupled with a strong enforcement mandate in Poland have helped reduce illicit trade. As a result, the legal market has stabilised, supporting modest growth in real excise revenues.

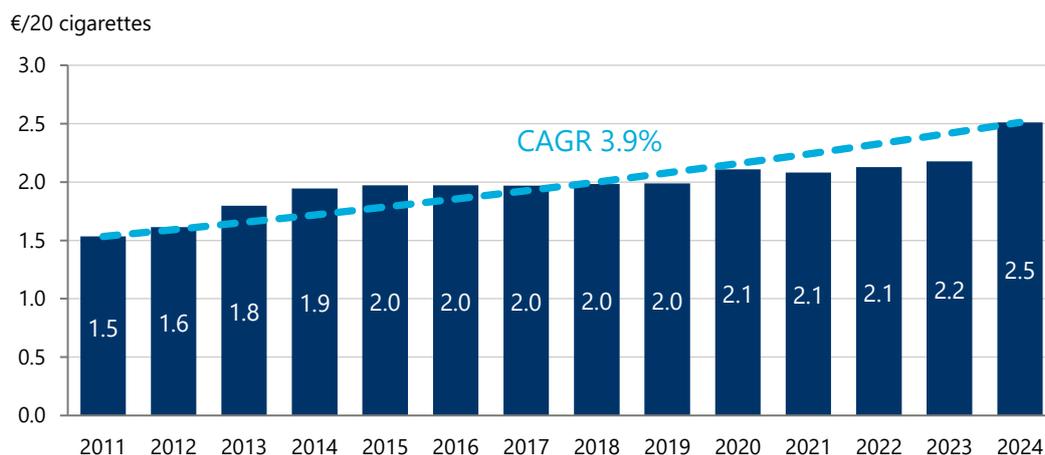
Totals may not sum due to rounding.

3.2 MEMBER STATES WITH STABLE AND PREDICTABLE TAXATION

3.2.1 Poland case study

Poland implemented largely gradual excise increases throughout the 2010s and up to 2023 in line with EU minimum tax requirements. Most recently, between 2023 and 2024, excise duties increased at a moderately faster pace, lifting the excise yield per pack to €2.51.³⁶

Fig. 23. Excise yield in Poland, 2011 to 2024



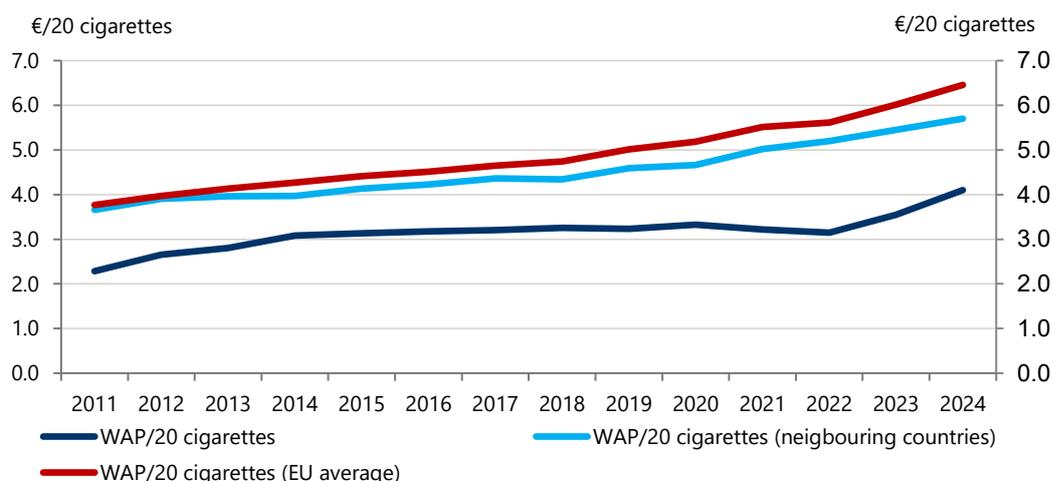
Source: European Commission

Objective: Price convergence

Cigarette prices in Poland have generally moved in line with excise duty adjustments, recording only marginal increases for much of the period in line with modest tax changes. As sharper excise hikes were introduced, price growth accelerated. Between 2023 and 2024, the average price of a 20-cigarette pack rose from €3.55 to €4.10—an increase of 17%. Over 2011–2024, prices in both neighbouring countries and the EU average remained consistently higher than in Poland, underscoring the country’s comparatively lower-price environment despite recent increases.

³⁶ Government of Poland, “[Tax rates \(SDG\)](#)”, accessed October 2025

Fig. 24. WAP of cigarettes in Poland, neighbouring countries³⁷ and the EU average, 2011 to 2024



Source: European Commission

Objective: Limit cross-border and illicit trade

Consumption of C&C cigarettes has historically been high in Poland but has declined in recent years. This decline is difficult to link directly to tobacco excise policy, as Poland’s long-standing role as a hub for illicit cigarette activity reflects broader structural factors. The country’s geography—sharing borders with Belarus and Ukraine, two of the largest sources of illicit cigarettes entering the EU—and its legacy of domestic illegal production have long sustained high levels of C&C trade. Between 2005 and 2017, Poland recorded nearly ten times more factory raids for illegal tobacco production than any other EU member, underscoring the scale of the issue.³⁸

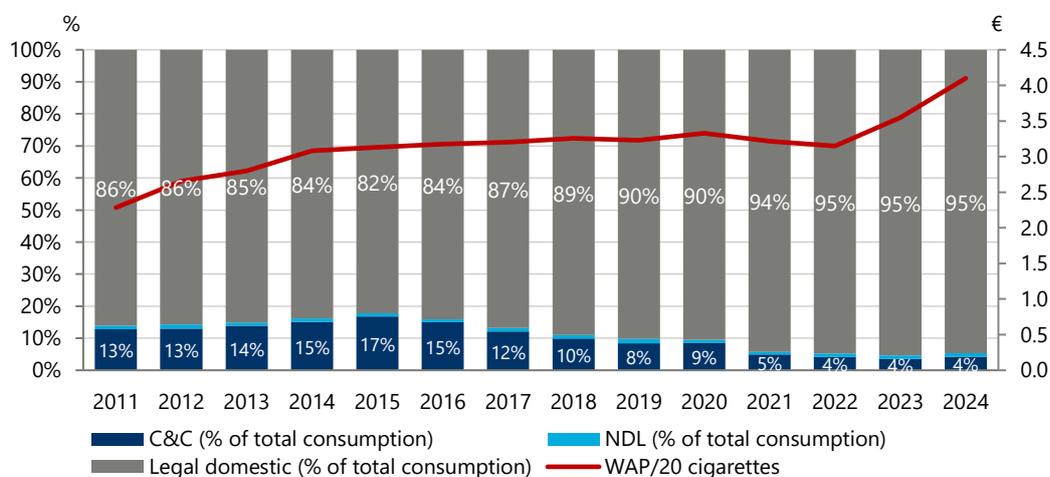
During 2020–2021, however, COVID-19 border restrictions, and a strengthened customs response disrupted established routes and led to a sharp decline in C&C inflows. Subsequent targeted enforcement actions and the closure of illegal production sites have helped maintain lower levels of C&C activity post-pandemic.³⁹

³⁷ This is the average WAP in Germany, Czechia, Slovakia, Lithuania, Sweden and Italy. In the case of Poland, no neighbouring Member State had a lower WAP; therefore, the average WAP of neighbouring countries—regardless of price level—was used for comparative purposes.

³⁸ Philip Morris International, “[The battle against illicit trade in Poland is gaining momentum](#)” 2018, accessed October 2025

³⁹ Philip Morris International, “[New KPMG report in the EU reveals largest increase of counterfeit cigarette consumption to date](#),” 2019, accessed October 2025

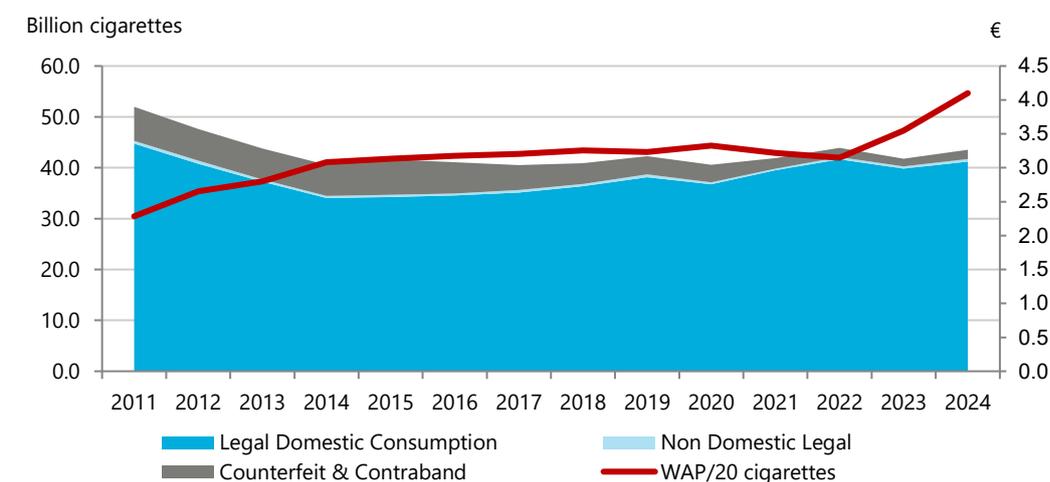
Fig. 25. Legal domestic, NDL, and C&C consumption of cigarettes (% of total consumption of cigarettes) in Poland, 2011 to 2024



Source: European Commission, KPMG

Total cigarette consumption declined by around 16% between 2011 and 2024, falling from 52.0 billion to 43.6 billion cigarettes. This reduction was accompanied by a sharp 72% drop in C&C volumes, reflecting the combined effects of enhanced border controls, tighter law enforcement, and the dismantling of domestic illicit production facilities. Some of the previously illicit consumption appears to have shifted toward the legal domestic market, as stricter oversight and reduced cross-border supply limited access to DNP products.

Fig. 26. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in Poland, 2011 to 2024

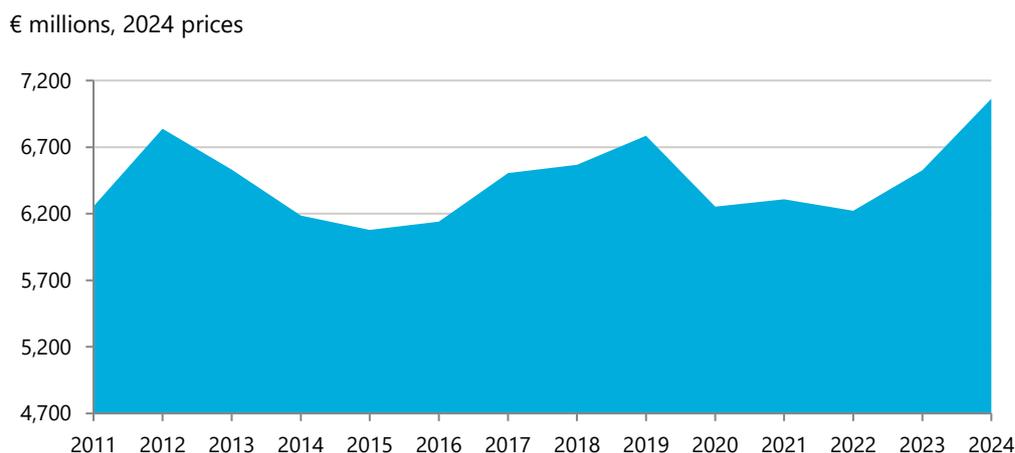


Source: European Commission, KPMG

Objective: Maintain stable tax revenues

Between 2011 and 2024, successive excise duty increases in Poland steadily raised the nominal tax burden per pack, while stronger enforcement supported a gradual formalisation of the market. Over the same period, total cigarette consumption declined by 16%—from 52.0 billion to 43.6 billion cigarettes—driven largely by a 72% reduction in C&C volumes, while legal domestic sales fell by just 8%. As a result, real tobacco excise revenues rose modestly, recording a CAGR of around 0.9%.

Fig. 27. Real cigarettes excise tax receipts in Poland, 2011 to 2024



Source: European Commission

Assessment and implications

Poland’s tobacco excise policy has gradually increased prices while maintaining one of the lowest levels in the EU. However, given the country’s historically high levels of C&C trade—and its recent decline largely driven by COVID-19 border restrictions, enhanced customs enforcement, and the closure of illegal production sites—it is difficult to isolate the impact of higher excise yields on illicit activity. Despite an 8% decline in legal domestic consumption between 2011 and 2024, real tobacco excise revenues rose modestly (CAGR 0.9%), supported by steady excise increases and a more stable legal market.

Poland’s experience illustrates a cautious and incremental tobacco excise policy, which has supported price increases and revenue stability without significant market disruption.

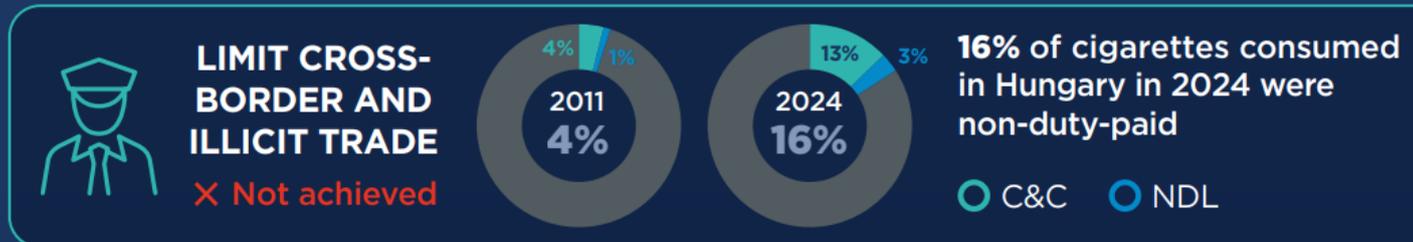
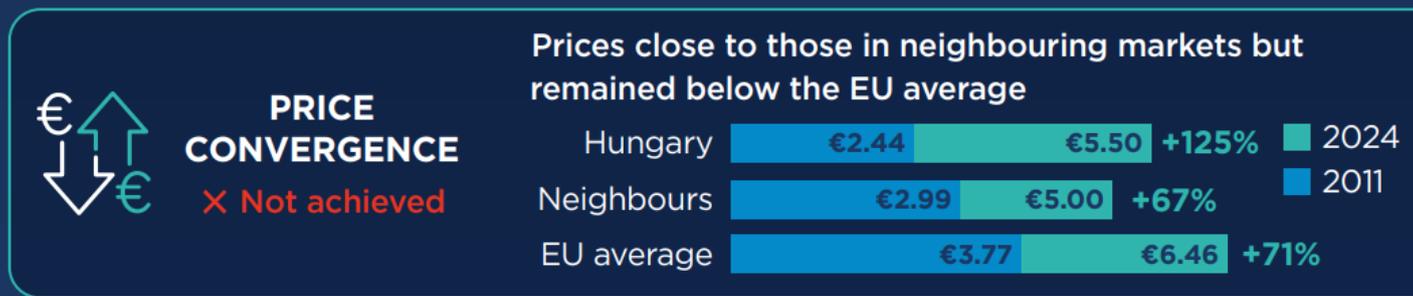
HUNGARY

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.

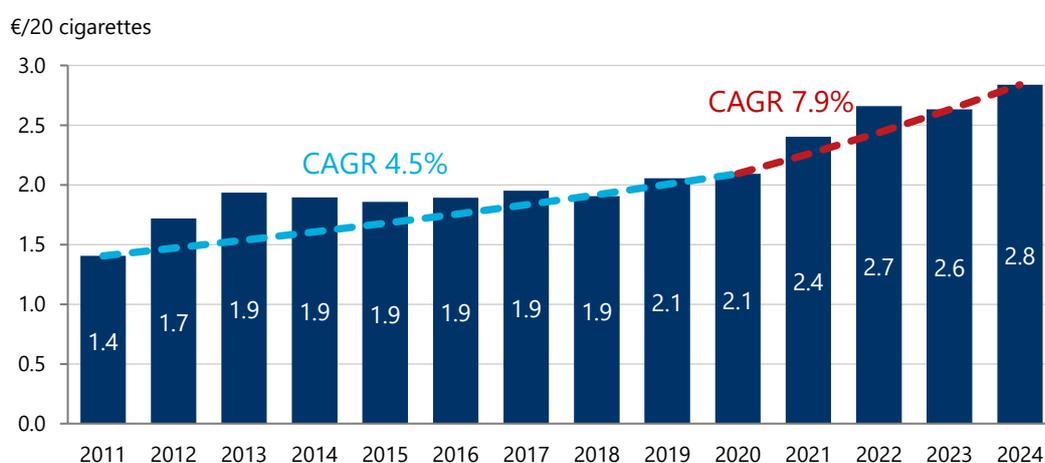
Neighbouring countries included are those with lower WAP levels. Totals may not sum due to rounding.

3.2.2 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 thereafter⁴⁰. 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.⁴¹

Fig. 28. Excise yield in Hungary, 2011 to 2024⁴²



Source: European Commission

Objective: Price convergence

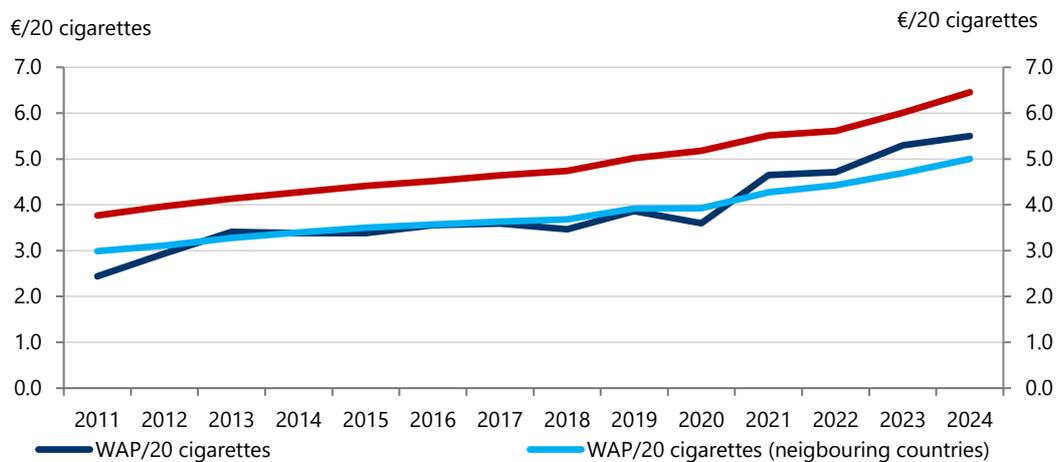
The average price of a 20-pack of cigarettes in Hungary remained broadly in line with neighbouring countries until 2021, when it rose above regional levels for the first time since 2011, reaching €5.50 in 2024. Prices across the EU have been consistently higher throughout the period, and the gap with 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.

⁴⁰ African Tobacco Control Alliance, “[European Court: Hungary Failing to Comply with Tobacco Excise Tax Hike](#)”, accessed October 2025

⁴¹ 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

⁴² The decline between 2022 and 2023 is driven by HUF–EUR exchange rate movements.

Fig. 29. WAP of cigarettes in Hungary, neighbouring countries⁴³, and the EU average, 2011 to 2024



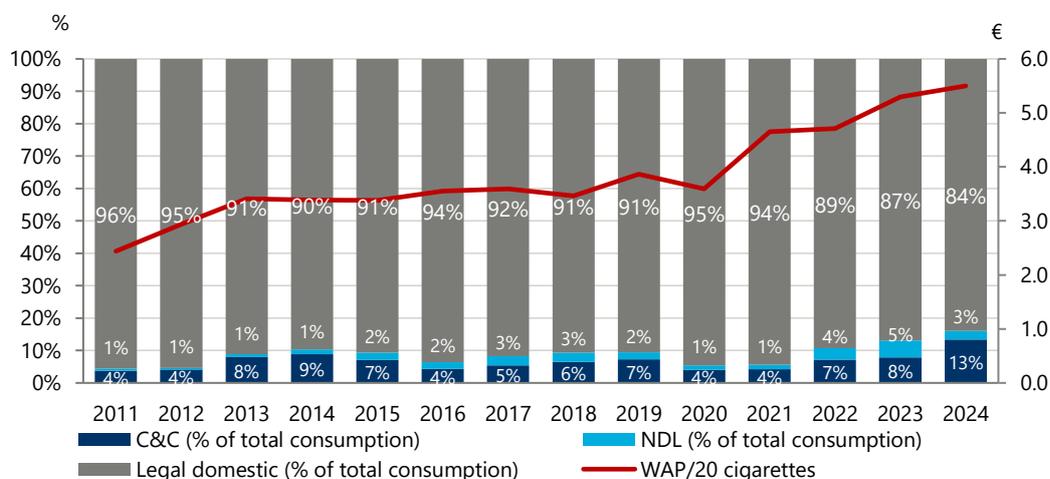
Source: European Commission

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.

⁴³ This is the average WAP in Slovakia, Romania, Croatia, Slovenia and Italy.

Fig. 30. 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 tobacco⁴⁴ and, more recently, heated tobacco products.⁴⁵ 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.

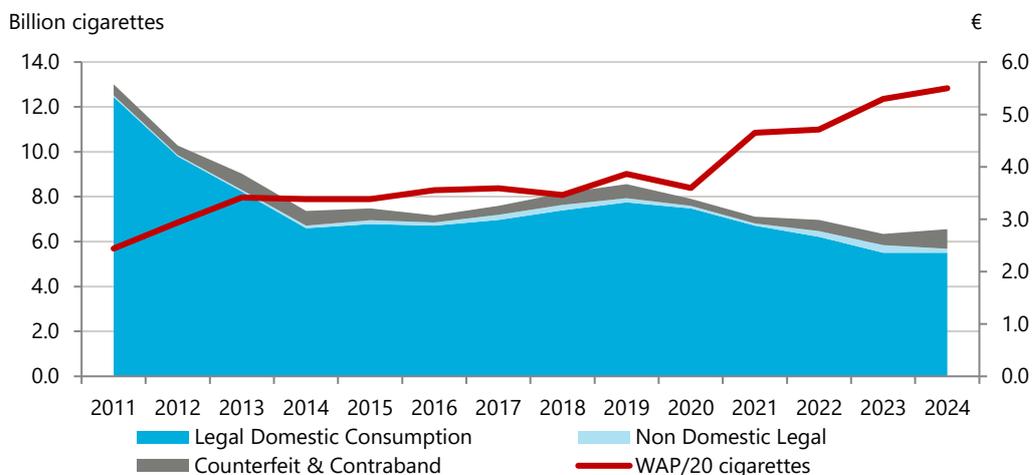
At the same time, Hungary’s position along the EU’s external border — particularly with Ukraine — has continued to expose the market to inflows of non-domestic products. Evidence from customs authorities shows that smuggling networks operating across these borders remain active, contributing to persistent illicit inflows.⁴⁶ 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.

⁴⁴ European Observatory on Health Systems and Policies, [“Reduction in cigarette purchases mainly due to shift to hand-rolled products”](#), accessed October 2025

⁴⁵ Hungary Today, [“Rising Demand for Heated Tobacco as Traditional Cigarette Sales Decline”](#), accessed October 2025

⁴⁶ Hungary Today, [“Illegal Cigarette Trade Causing Damage to Hungarian Economy”](#), 2023, accessed November 2025

Fig. 31. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in Hungary, 2011 to 2024

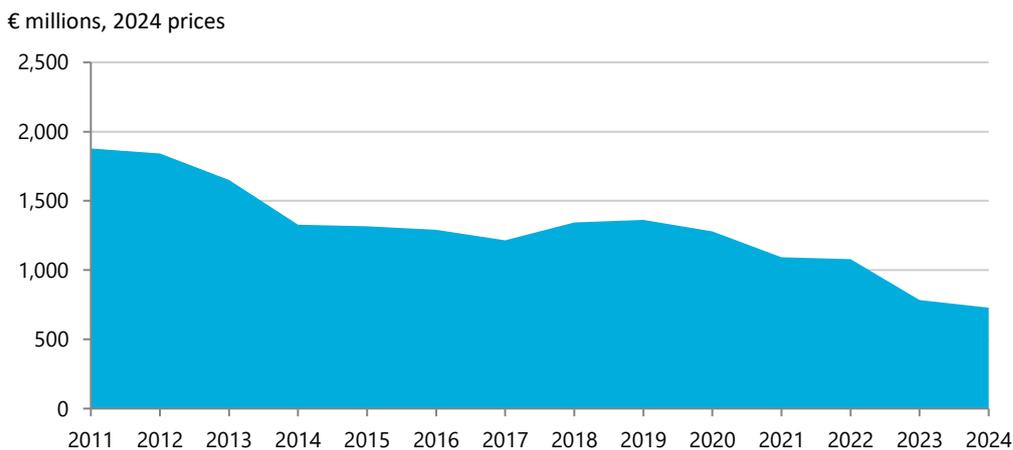


Source: European Commission, KPMG

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. 32. 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.

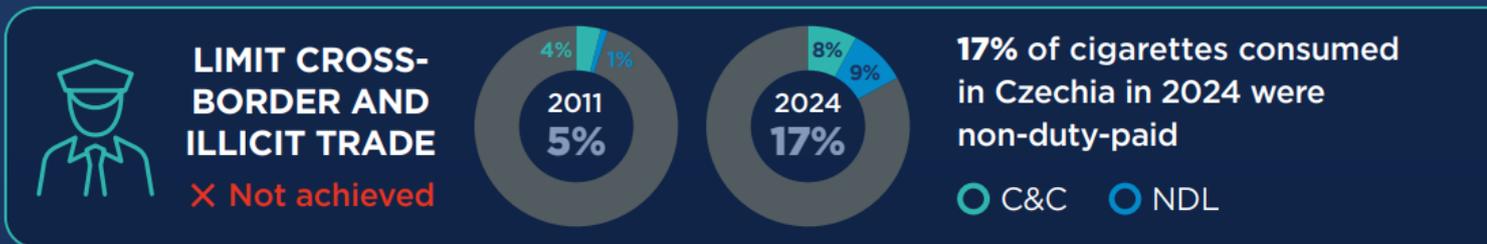
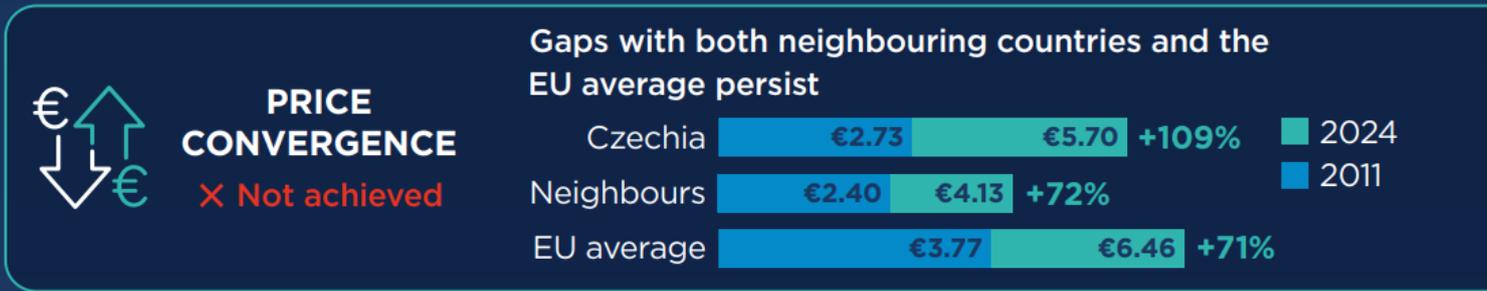
CZECHIA

CIGARETTE TAX POLICY OUTCOMES 2011-2024

POLICY APPROACH



POLICY GOAL OUTCOMES



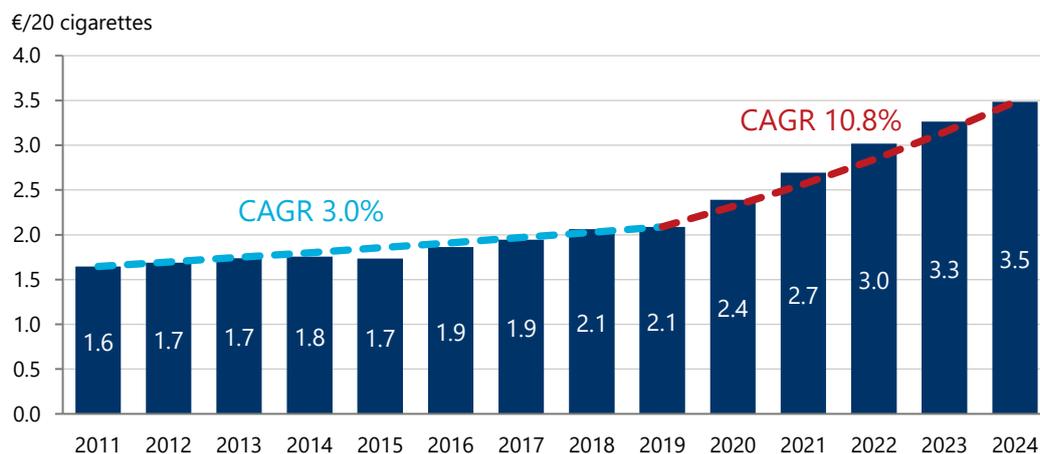
Successive excise increases in Czechia contributed to a decline in legal domestic consumption and a gradual shift toward DNP products. The contracting tax base weighed on fiscal outcomes, with real tobacco excise revenues declining over time.

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

3.2.3 Czechia case study

Czechia has steadily increased its tobacco excise duties, primarily to align with the minimum rate requirements set by the European Union. As a result, the excise duty on a pack of 20 cigarettes reached €3.48 in 2024.

Fig. 33. Excise yield in Czechia, 2011 to 2024

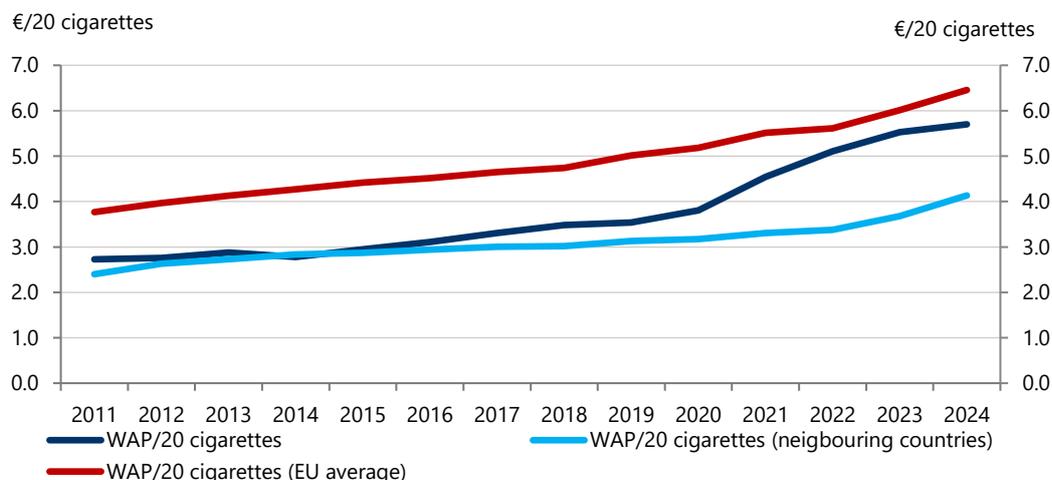


Source: European Commission

Objective: Price convergence

Excise increases translated into higher retail prices in Czechia. Between 2011 and 2024, the average price of a 20-cigarette pack surged from €2.73 to €5.70, an increase of 109%. By comparison, prices in neighbouring countries and across the EU also saw an increase of about 72% and 71% respectively over the same period, to reach €4.13 and €6.46 per pack in 2024

Fig. 34. WAP of cigarettes in Czechia, neighbouring countries⁴⁷, and the EU average, 2011 to 2024



Source: European Commission

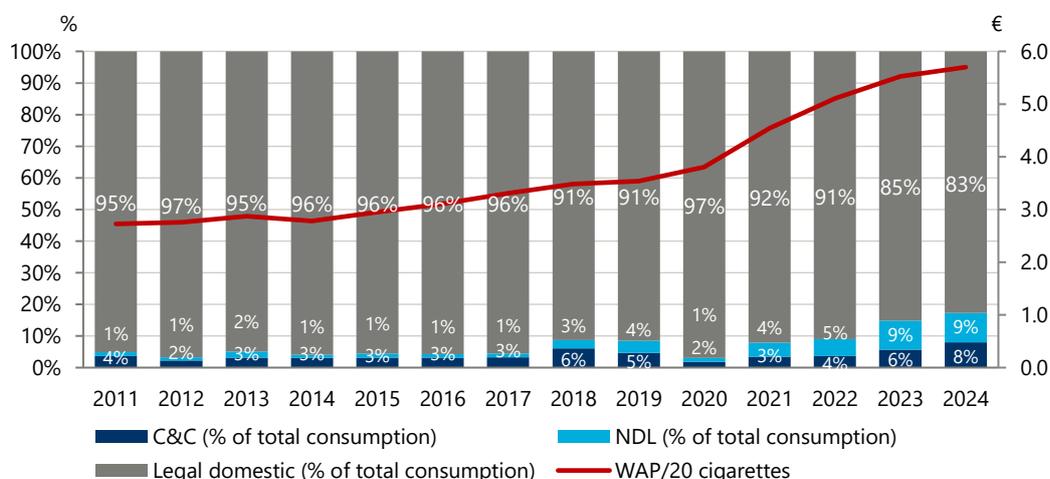
Objective: Limit cross-border and illicit trade

In Czechia, cigarette consumption has historically been concentrated in the domestic legal market, reflecting long-standing price differentials that favoured local purchases over cross-border or illegal alternatives. Throughout most of the 2011–2024 period, more than 90% of cigarettes consumed were sourced legally within the country. However, Czechia has been increasingly exposed to non-domestic inflows, supported by established smuggling routes from non-EU regions, particularly Belarus.⁴⁸ An exception to this trend occurred in 2020, when COVID-19 restrictions temporarily limited cross-border flows. Since 2021, the share of NDL and C&C cigarettes has increased steadily, reaching 9% and 8% of total consumption, respectively, in 2024.

⁴⁷ This is the average WAP in Poland, Slovakia, and Bulgaria.

⁴⁸ Global Organised Crime Index, "[Czech Republic](#)", accessed November 2025

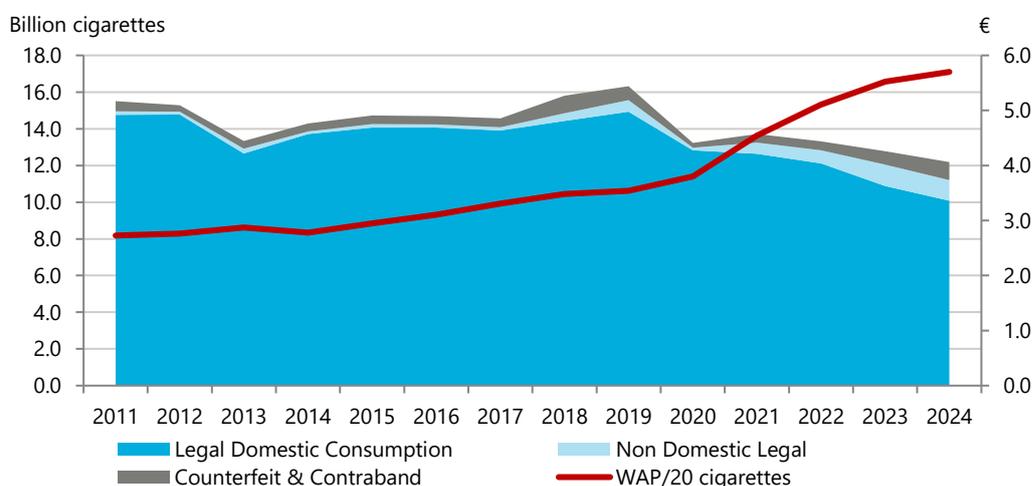
Fig. 35. Legal domestic, NDL, and C&C consumption cigarettes (% of total consumption of cigarettes) in Czechia, 2011 to 2024



Source: European Commission, KPMG

Total cigarette consumption in Czechia declined by around 25% between 2019 and 2024, falling from 16.3 billion to 12.2 billion cigarettes. The drop was driven mainly by a 32% fall in legal domestic sales, reflecting rising prices and a gradual shift toward DNP products. Part of this decline was offset by growth in NDL consumption (+78%) and, to a lesser extent, in C&C activity (+29%).

Fig. 36. Volume of legal domestic consumption of cigarettes, duty-not-paid cigarettes, and WAP of cigarettes in Czechia, 2011 to 2024

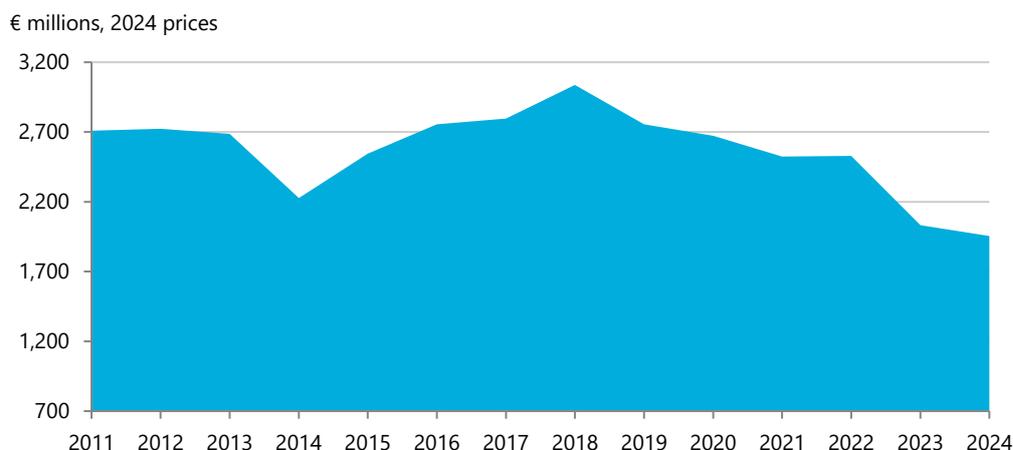


Source: European Commission, KPMG

Objective: Maintain stable tax revenues

Although Czechia’s nominal tax burden per pack rose steadily between 2011 and 2024 through successive excise increases, total receipts declined as the tax base contracted. Legal cigarette consumption fell by 32%, reducing taxable volumes, while growth in the DNP market further undermined collections. As a result, real tobacco tax revenues recorded a CAGR of –2.5% over the period. The particularly sharp decline observed in 2022–23 also reflects the impact of elevated inflation during that period.

Fig. 37. Real cigarettes excise tax receipts in Czechia, 2011 to 2024



Source: European Commission

Assessment and implications

Czechia's tobacco excise policy has progressively increased prices to meet EU minimum tax requirements. As prices rose more sharply after 2019, in line with higher excise rates, total cigarette consumption fell by around 25%, driven primarily by a contraction in legal domestic sales and a gradual shift toward DNP products. The concurrent rise in NDL and C&C activity underscores growing substitution pressures as consumers seek cheaper alternatives. Despite successive tax hikes, the contracting tax base has weighed on fiscal outcomes, with real tobacco excise revenues declining at a CAGR of -2.5% between 2011 and 2024.

4. OVERARCHING CONCLUSIONS

Our analysis reveals how tobacco excise duty increases have shaped prices, market structures, and fiscal outcomes in six EU Member States. With notable differences in national policy implementation, comparative analysis involving Member States with similar implementation characteristics can yield informative insights on the effects of the TED across the European Union.

Across all six countries studied, successive excise duty increases between 2011 and 2024 raised retail prices significantly. In France, Belgium, and the Netherlands, the WAP more than doubled over the period, reaching between €9 and €12, well above the EU average of €6.5. In the lower-price markets of Hungary, Czechia, and Poland, retail prices also rose markedly—by between 60% and 120%—although they remained considerably below Western European levels. These developments demonstrate that the TED has been effective in elevating price floors and reducing the affordability of tobacco products, consistent with its public-health objective.

However, excise duty increases and the subsequent rise in prices have contributed to substitution toward cheaper cross-border or illicit products. The case studies collectively indicate that sharp, uncoordinated tax increases tend to erode the domestic tax base by encouraging substitution toward DNP cigarettes. In 2024, an estimated 49% of all cigarettes consumed in France and 39% in the Netherlands were sourced outside the domestic tax net, while Belgium's DNP share reached around 28%. In Central Europe, the patterns are similar though less extreme: the share of C&C cigarettes rose to 13% of total consumption in Hungary and 8% in Czechia, while Poland stands out as an exception. There, stronger border enforcement and factory closures helped reduce C&C cigarette consumption from 13% to 4% of total demand. These contrasts highlight that excise policies remain the dominant driver of non-domestic consumption, and that enforcement capacity and market structure critically shape the effectiveness of excise policy.

Fiscal outcomes have been similarly uneven. Belgium achieved sustained revenue growth, with real excise receipts rising by 2.0% annually, as steady excise increases allowed fiscal gains to offset declining sales. Poland also recorded modest growth in real revenues, supported by gradual rate increases and a more formalised legal market. By contrast, France, the Netherlands, Hungary, and Czechia all experienced declining real receipts, ranging from -0.8% to -7.0% annually, as higher prices reduced legal domestic sales and drove substitution toward duty-not-paid products. The comparative evidence thus suggests that countries combining gradual, indexed excise adjustments with consistent enforcement performed better fiscally than those pursuing rapid or uncoordinated hikes.

Overall, the evidence from these six case studies suggests several broad lessons for policy design:

- **Excise adjustments that were implemented in a stable manner generally coincided with steadier revenue outcomes**, whereas periods of rapid change were more often associated with increased cross-border purchasing and shifts toward illicit products.
- **Close alignment with neighbouring markets appears to help moderate these effects**, while **enforcement capacity continues to play a decisive role in determining fiscal performance**.

- In countries where monitoring and **compliance** improved—most notably Poland—**moderate duty increases were accompanied by more consistent fiscal and market outcomes**, even as prices continued to rise.

These comparative insights underscore that the success of tobacco excise policy rests not simply on raising rates, **but on achieving the right balance between price incentives, enforcement, and predictability across markets.**

These findings also carry implications for the future development of the TED. Member States whose excise rates already exceed the levels proposed under the revised directive will not be required to adjust their rates in response to the new minimums. However, the recent experience of these high-price markets shows that **continuing to raise excise duties unilaterally has not delivered the expected fiscal outcomes.** In several cases, repeated increases have coincided with rising DNP consumption, which has eroded the domestic tax base and limited revenue growth.

By contrast, Member States with **lower excise rates** will be directly affected by the proposed higher minimum rates. For these countries, the **scale and speed of adjustment will be critical.** If the new thresholds are set too high, or if transition periods are not sufficiently flexible, rapid price increases could intensify substitution toward DNP products and weaken revenue performance.



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