

# Evaluation of the Tobacco Taxation Directive

**Thomas Wahl**

## News

On 10 February 2020, the European Commission published the results of its evaluation of [Directive 2011/64/EU](#), which provides for the structure and rates of excise duties on manufactured tobacco (i.e., cigarettes, cigars and cigarillos, fine-cut tobacco for rolling cigarettes, and other smoking tobacco). The Directive identifies which tobacco products are subject to the harmonised rules for excise duties and sets minimum levels of taxation. It aims at ensuring the proper functioning of the internal market, at a high level of health protection, and at bolstering the fight against tax fraud, tax evasion, and illegal cross-border shopping.

The [evaluation assesses](#) to which extent implementation of the Directive's provisions has contributed to achieving the objectives. In line with the EU's [Better Regulation Guidelines](#), it was carried out according to the basic evaluation criteria of effectiveness, efficiency, relevance, coherence, and EU added value. The main findings are as follows:

; The current legislation has been working well in terms of the predictability and stability of fiscal revenues for Member States;

- The Directive allows Member States enough flexibility to implement their national fiscal policies for traditional tobacco products (with €82.3 billion excise tax revenue in the EU in 2017);
- New products, such as e-cigarettes or heated tobacco products, illustrate the limits of the current legal framework, which is unable to cope with these increasingly developing markets;
- The impact of the tobacco taxation Directive on public health has been moderate;
- Significant differences in taxes (hence prices) between Member States also limit the objective of achieving public health, particularly where there is a high level of cross-border shopping;
- Although illicit trade in cigarettes and fine-cut tobacco have decreased slightly over the years, this area remains a substantial challenge. It is estimated that the EU potentially loses €7.5 billion in excise revenues, which calls for strengthening enforcement policies and designing tax regimes with enforcement safeguard measures;
- There has been an increase in the illicit manufacturing of cigarettes within the EU, requiring a harmonised approach to monitoring the flow of raw tobacco within and into the EU.

Ultimately, the evaluation report calls for a more comprehensive and holistic approach, because Directive 2011/64 is not much coherent with other EU policies. This approach should take into account all aspects of tobacco control, including public health, taxation, the fight against illicit trade, and environmental concerns.

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