

What’s wrong with the ECON Committee tobacco taxation report?

The ECON report on tobacco taxation is heavily compromised by its adoption of a large number of tobacco and nicotine industry fallacies.

These include:

FALLACY	REALITY
<p>Fallacy 1 – the “Novel tobacco and nicotine products should be treated more lightly as they “reduce harm and help smokers transition away from traditional cigarettes” argument</p>	<p>Reality - the World Health Organisation position is clear: “ALL tobacco, nicotine and related products pose health risks, including risk of addiction”.¹ The European Commission reconfirms this in its report on the potential risks to public health associated with the use of refillable electronic cigarettes, stating that “Nicotine is an alkaloid found in tobacco plants. It is a stimulant that acts on the parasympathetic nervous system and is the primary cause of addiction to tobacco products.”</p> <p>Furthermore, studies have shown that most users combine Novel Tobacco and Nicotine Products with conventional cigarettes,² and they are used as a gateway to smoking,³ particularly among young people, thereby increasing the risk of nicotine addiction and long-term tobacco use</p> <p>Studies also showcased that can interfere with brain development, particularly in areas related to learning, attention, and impulse control, making its use especially harmful for young people and adolescents. Furthermore, nicotine has been associated with an increased risk of mental health issues, including anxiety and depression, as well as higher levels of alcohol consumption.⁴</p> <p><i>*Please see the table below for more data on Fallacy 1 and its connection to the ECON report</i></p>
<p>Fallacy 2 – the “Increased taxation will worsen illicit trade” argument</p>	<p>Reality - a 2019 World Bank report featuring input from international experts found that the opposite is true – the illicit market is “relatively larger in countries with low taxes and prices, while relatively smaller in countries with higher cigarette taxes and prices.”⁵</p>

¹ World Health Organisation (WHO), “WHO position on Tobacco Control and Harm Reduction”, <https://www.who.int/publications/m/item/who-position-on-tobacco-control-and-harm-reduction>

² European Commission. Special Eurobarometer 506—Attitudes of Europeans towards Tobacco and Electronic Cigarettes. (2020). Available online at: https://www.drugsandalcohol.ie/33761/1/Eurobarometer_2020_cigarettes_ebs_506.pdf

³ Joint Research Centre (European Commission), Scientific Committee on Health, Environmental and Emerging Risks, Opinion on electronic cigarettes, 2021

⁴ Nordic Cancer Union, *Recommendations from the Nordic Cancer Union: Why the EU must act now to safeguard a tobacco- and nicotine free future*, 2025

⁵ World Bank Group, *Illicit Trade in Tobacco Products: Evidence and Policy Options* (Washington, DC: World Bank, 2019), <https://documents1.worldbank.org/curated/en/677451548260528135/pdf/133959-REPL-PUBLIC-6-2-2019-19-59-24-WBGTobaccoIllicitTradeFINALvweb.pdf>

FALLACY	REALITY
	<p>Illicit trade of Tobacco and Nicotine Products is primarily driven by non-price factors such as governance status, weak regulatory framework, social acceptance of illicit trade, and the availability of informal distribution networks and not by tax rates.⁶. Countries with high tobacco taxes such as United Kingdom and Australia have generally maintained relatively low levels of illicit trade through strong enforcement systems.</p> <p><i>*Please see the table below for more data on Fallacy 2 and its connection to the ECON report</i></p>
<p>Fallacy 3 – The “Tobacco taxation is regressive” argument</p>	<p>Reality - People on lower incomes are generally more price-sensitive than higher-income smokers. When tobacco prices increase, they are more likely to:</p> <ul style="list-style-type: none"> • Quit smoking • Reduce consumption • Avoid relapse • Discourage smoking initiation among young people <p>As a result, the health, social and economic benefits from tobacco taxation often accrue disproportionately to low-income groups and contribute to the EU’s objective of reducing inequalities and progress on SDG No 10.⁷</p> <p><i>*Please see the table below for more data on Fallacy 3 and its connection to the ECON report</i></p>
<p>Fallacy 4 – The “Tobacco taxation increases competition from outside the Union” argument</p>	<p>Reality - The purpose of tobacco taxation is to reduce tobacco use and its associated health harms. From a public health perspective, success is measured by fewer people smoking, not by preserving sales volumes for any particular manufacturer or region.</p> <p>Research generally shows that when prices rise, smokers respond through a combination of:</p> <ul style="list-style-type: none"> • Quitting • Reducing consumption • Delaying initiation among young people • Switching brands <p>While some down-trading occurs, it does not eliminate the overall public health benefits of taxation.</p> <p><i>*Please see the table below for more data on Fallacy 4 and its connection to the ECON report</i></p>
<p>Fallacy 5 – The “consideration should be given to the economic sustainability of agricultural production and of</p>	<p>Reality – The economic activity generated by the EU’s tobacco manufacturing sector is negligible, compared to the economic, health and societal costs Tobacco and Nicotine Products is imposing every year on the EU and it’s citizens</p>

⁶ Ibid.

⁷ European Commission, *Commission Staff Working Document: Impact Assessment Report Accompanying the Proposal for a Council Directive on the Structure and Rates of Excise Duty Applied to Tobacco and Tobacco-Related Products (Recast)*, European Commission, Brussels

FALLACY	REALITY
<p>manufacturing sectors linked to tobacco” argument</p>	<p>According to the European Commission, less than 4% of the world's annual tobacco crop is grown in the EU, and the number of tobacco growers is estimated at only 14,500-15,000 across the Union.⁸</p> <p>By contrast, the human and economic costs of tobacco use are enormous. Tobacco and nicotine products are responsible for 700,000 deaths in Europe every year, equal to nearly 11.3 million healthy life years lost, translating into an economic cost of approximately EUR 587 billion across the EU.⁹</p> <p><i>*Please see the table below for more data on Fallacy 5 and its connection to the ECON report</i></p>
<p>Fallacy 6 – <i>The “Products such as cigars and cigarillo producers are niche products produced by SME’s and family-owned businesses and should therefore be protected” argument</i></p>	<p>Reality - The health risks associated with tobacco products are determined by the product, not by whether it is produced by a multinational corporation or an SME.</p> <p>From a public health perspective, all tobacco products should be regulated according to their health impact rather than the size of the manufacturer. Like cigarettes, both cigars and cigarillo’s consign tobacco and nicotine and entail serious health risks.</p> <p>Furthermore, the use of products other than conventional cigarettes, has been rising in recent years</p> <ul style="list-style-type: none"> • in Finland, 20.51% of the population report ever having used cigarillos¹⁰ • Between 2019 to 2023, the EU’s e-cigarette market grew by 421% in volume¹¹ • from 2018 to 2023 the EU’s sales value of nicotine pouches increased by 1697%.¹² <p><i>*Please see the table below for more data on Fallacy 6 and its connection to the ECON report</i></p>

Remember the harm, damage and cost of tobacco and nicotine!

- **leading preventable cause of death** in Europe.
- causes **1.1 million deaths in the European region** each year
- responsible for **27% of all cancers**².
- **health-related costs** of tobacco use amount to **€80.7 billion** in the EU

⁸ European Commission, *Commission Staff Working Document: Impact Assessment Report Accompanying the Proposal for a Council Directive on the Structure and Rates of Excise Duty Applied to Tobacco and Tobacco-Related Products (Recast)*, European Commission, Brussels

⁹ Ibid.

¹⁰ <https://publications.ersnet.org/content/erj/52/suppl62/oa5223>

¹¹ With units sold rising from 125 million in 2012 to 649 million in 2023. Source: Euromonitor International Ltd, Tobacco, 2025 industry edition

¹² Ibid.

- nicotine exposure occurs early, with widespread experimentation with nicotine between **ages 12 and 16**, when the brain is still developing and is **especially susceptible to addiction**.
- Nicotine has also been associated with an increased risk of mental health issues, including **anxiety and depression, as well as higher levels of alcohol consumption**.¹³

We urge the European Parliament to reject the ECON Committee report

Examples of fallacy arguments in the report:

ECON REPORT COMPONENTS PROMOTING FALLACY ARGUMENTS	REALITY
<p>“(2) Since the adoption of Directive 2011/64/EU, the tobacco market has changed significantly. New products functioning as alternatives for manufactured tobacco and containing tobacco or nicotine have been placed on the market. In response, Member States have introduced different national measures as regards those alternatives, which pose a challenge to the proper functioning of the internal market. In the interest of uniform and fair taxation, those alternatives for manufactured tobacco should be subject to a harmonised excise duty structure and harmonised minimum excise duty rates in the Union. Proper implementation of the ‘less harm, less tax’ principle requires that tax policies reflect the different levels of health risk associated with tobacco and nicotine products, while allowing Member States the necessary flexibility to incorporate that principle into their national taxation frameworks. This Directive should not harmonise taxation rules on tobacco for oral use, prohibited from being placed on the market in accordance with Article 17 of Directive 2014/40/EU of the European Parliament and of the Council. For clarity, this Directive should not harmonise taxation rules on tobacco for oral use placed on the market of a Member State in accordance with Article 151 of the Act of Accession of Austria, Finland and Sweden.”</p>	<p>1. “Less harm” and “cessation” fallacy</p> <p>In the ECON report text, Novel Tobacco and Nicotine products are framed and marketed under the guise of "smoking-cessation tools". However, recent studies have shown that most users combine them with conventional cigarettes, and they are a gateway to smoking, particularly among young people, thereby increasing the risk of nicotine addiction and long-term tobacco use:</p> <ul style="list-style-type: none"> • According to the 2020 Eurobarometer survey, 59% of e-cigarette users and 79% of heated tobacco product users in the European Union were dual users, continuing to use conventional tobacco products concurrently.¹⁴ • e-cigarette use increases the likelihood of cigarette smoking by about three times¹⁵ • children who use or even try Electronic Nicotine Delivery Systems (ENDS), are more than twice as likely to smoke cigarettes.¹⁶

¹³ Nordic Cancer Union, *Recommendations from the Nordic Cancer Union: Why the EU must act now to safeguard a tobacco- and nicotine free future*, 2025

¹⁴ European Commission. Special Eurobarometer 506—Attitudes of Europeans towards Tobacco and Electronic Cigarettes. (2020). Available online at: https://www.drugsandalcohol.ie/33761/1/Eurobarometer_2020_cigarettes_ebs_506.pdf (accessed August 2022)

¹⁵ Joint Research Centre (European Commission), Scientific Committee on Health, Environmental and Emerging Risks, Opinion on electronic cigarettes, 2021

¹⁶ *ibid.*

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<p>“(3) (...) New products (liquids for e-cigarettes, other manufactured tobacco, nicotine pouches and other nicotine products) have increasing popularity, especially among young people, and besides the intrinsic public health risk these products represent, they also have the potential of opening the way towards conventional smoking. On the other hand, studies^{3a} show that new products are generally less harmful than traditional combustible cigarettes and can help smokers transition away from those traditional cigarettes more smoothly.”</p> <p>“(6) The various types of manufactured tobacco and tobacco related products, distinguished by their characteristics, by their differing health risks and by the way in which they are used, should be defined.”</p>	
<p>(3) It is necessary to ensure that the Union’s fiscal legislation on tobacco and tobacco related products continues to ensure the proper functioning of the internal market and, at the same time, a high level of human health protection, as required by Article 168 of the Treaty on the Functioning of the European Union, thereby ensuring that public health considerations are fully integrated into the design and implementation of fiscal measures, bearing in mind that tobacco and tobacco related products can cause serious harm to health , that Europe’s Beating Cancer Plan² set the goal of reaching a tobacco-free Europe and that the Union is Party to the World Health Organization’s Framework Convention on Tobacco Control . To achieve this twin objective the EU and the Member States should step up their efforts to fight illicit tobacco trade, notably illicit imports of tobacco and related products from third countries³, taking into account the link between high excise taxes, illicit trade, and related criminal activities, as highlighted in the 2025 EU Serious and Organised Crime Threat Assessment published by EUROPOL, and the broader impact of illicit tobacco trade on internal security and the fight against serious and organised crime and financing of criminal activities in the EU. In that context, particular consideration should be given to</p>	<p>2. Illicit trade fallacy</p> <p>The ECON report echoes tobacco industry claims that higher excise taxes on tobacco and nicotine products would lead to increased illicit trade and criminal activity. However, illicit trade is primarily the result of weak enforcement and ineffective control measures, not higher tax rates:</p> <p>Research by the World Health Organization and other bodies suggests that the main determinants of illicit trade are:</p> <ul style="list-style-type: none"> • Corruption • Weak customs and border controls • Organized criminal networks • Inadequate tax administration • Political instability <p>If the industry’s argument is correct, then that would mean that countries with lower rates of tobacco duty have smaller illicit markets, because smokers have access to cheap legal tobacco, while countries with higher taxes would have bigger illicit markets.</p> <p>However, a 2019 World Bank report featuring input from international experts found that the opposite is true – the illicit market is “relatively larger in countries with low taxes and prices, while relatively smaller in countries with higher</p>

ECON REPORT COMPONENTS PROMOTING FALLACY ARGUMENTS	REALITY
<p><i>Member States facing specific geographic circumstances, which create further incentives for illicit tobacco trade, thereby undermining public revenues and posing additional risks to public health. (...)</i></p>	<p>cigarette taxes and prices.” Non-price factors such as governance status, weak regulatory framework, social acceptance of illicit trade, and the availability of informal distribution networks appear to be far more important determinants of the size of the illicit tobacco market.</p> <p>The UK provides a clear example that exposes the flaws in the industry's argument. If higher tobacco taxes automatically led to more illicit trade, the UK's illicit market should have been relatively small in the 1990s, when tobacco taxes were lower, and then increased steadily as taxes rose. Instead, the opposite happened. Between 2000 and 2023, illicit cigarette consumption in the UK fell by almost 90%, while the price of an average pack of cigarettes more than tripled.¹⁷</p> <p>The best way to end the illicit trade in tobacco products for good is a strong enforcement system against illicit trade and to support the 92.1 million smokers in the EU¹⁸ to quit and create a smokefree generation.</p> <p>Cigarette prices and illicit market volume in the UK (2000 - 2023)</p> <p>■ Cigarettes - illicit market volume (billion cigarettes) ■ Avg price per 20 pack cigarettes (€)</p>
<p>(3a) Currently, the cost of living is rising across the Union. When setting new minimum levels of taxation for tobacco products, it is essential to consider the regressive nature of tobacco taxes and the disproportionate financial burden of tobacco use on low-income population groups. Given the higher prevalence of smoking among lower-income</p>	<p>3. Regressive tax fallacy</p> <p>The ECON report echoes tobacco industry claims that higher excise taxes on tobacco and nicotine would impose a disproportionate financial burden on low-income groups. However, People on lower incomes are generally more price-</p>

¹⁷ Action on Smoking and Health (ASH), “Illicit Tobacco: Facts, Trends and Industry Tactics, <https://ash.org.uk/key-topics/illicit-tobacco-facts-trends-and-industry-tactics>

¹⁸ European Commission, *Commission Staff Working Document: Impact Assessment Report Accompanying the Proposal for a Council Directive on the Structure and Rates of Excise Duty Applied to Tobacco and Tobacco-Related Products (Recast)*, European Commission, Brussels

ECON REPORT COMPONENTS PROMOTING FALLACY ARGUMENTS	REALITY
<p>households and the significantly larger share of their earnings spent on tobacco products, they are much more affected by tax increases than higher-income households.</p>	<p>sensitive than higher-income smokers. When tobacco prices increase, they are more likely to:</p> <ul style="list-style-type: none"> • Quit smoking; • Reduce consumption; • Avoid relapse; • Discourage smoking initiation among young people ; <p>As a result, the health, social and economic benefits from tobacco taxation often accrue disproportionately to low-income groups and contribute to the EU’s objective of reducing inequalities and progress on SDG No 10.¹⁹</p>
<p>(11a) Due consideration should be given to the economic sustainability of agricultural production and of manufacturing and retail sectors linked to tobacco, particularly in regions where such activities represent a significant source of employment, while ensuring consistency with public health objectives.</p> <p><i>(33) In order to assess the functioning of this Directive, the Commission should submit reports on a regular basis to the European Parliament and Council on the application of this Directive, examining in particular levels of taxation taking into account proper functioning of the internal market, public health, the protection of public revenues, the real value of the rates of excise duty, and the difference between excise revenues due and collected.</i></p>	<p>4. Economic Importance of the Tobacco Sector to Agricultural Production and Manufacturing fallacy</p> <p>The ECON report echoes tobacco industry claims that higher excise taxes on tobacco and nicotine products would disproportionately harm sectors involved in tobacco manufacturing and retail. However, and according to the European Commission, less than 4% of the world's annual tobacco crop is grown in the EU, and the number of tobacco growers is estimated at only 14,500-15,000 across the Union.²⁰</p> <p>By contrast, the human and economic costs of tobacco use are enormous. Tobacco and nicotine products are responsible for 700,000 deaths in Europe every year and tobacco imposes a substantial burden on society through healthcare expenditure, reduced productivity, and years of life lost. The annual burden attributable to tobacco has been estimated at nearly 11.3 million healthy life years lost, translating into an economic cost of approximately EUR 587 billion across the EU.²¹</p> <p>The economic activity generated by tobacco is greatly outweighed by the costs associated with:</p> <ul style="list-style-type: none"> • Cancer treatment • Cardiovascular disease • Respiratory disease

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

ECON REPORT COMPONENTS PROMOTING FALLACY ARGUMENTS	REALITY
	<ul style="list-style-type: none"> • Lost productivity due to illness and premature death • Informal caregiving and social welfare costs <p>Many economic analyses conclude that tobacco imposes a net economic burden on society.</p>
<p><i>(23a) As regards cigars and cigarillos, such products form a distinct and marginal market segment with a small overall share, limited substitution potential with cigarettes due to different consumer profiles and consumption patterns, and are predominantly produced by small and medium-sized enterprises (SMEs) as well as family-owned businesses deeply rooted in regional economies. To preserve proportionality and avoid disproportionate market disruptions and undue harm to that niche category, minimum excise duties should explicitly reflect those unique characteristics, such as low market volume, occasional rather than daily use, and minimal cross-product substitution, while maintaining a structurally and materially differentiated tax treatment from cigarettes.</i></p> <p><i>(23b) Given the specificities of the cigar and cigarillo market, the Commission should, by ... [two years from the date of entry into force of this Directive], assess the impact of the new minimum excise duty rates applicable to cigars and cigarillos on SMEs and family-owned manufacturers, regional employment and supply chains, and substitution patterns. Where the assessment shows a disproportionate impact on SMEs, family-owned manufacturers or regional employment, the Commission should submit a legislative proposal to adjust the applicable minimum rates or the structure of those rates so as to ensure proportionality and to maintain an appropriate differential vis-à-vis cigarettes.</i></p> <p><i>(23c) Given the specific characteristics of the nicotine pouches market, and considering its recent emergence, which is characterised by producers that are SMEs, Member States</i></p>	<p>5. SME impact fallacy</p> <p>The ECON report echoes tobacco industry claim that cigars and cigarillos are niche products within a much larger manufactured tobacco market and should be treated differently. However, the health risks associated with tobacco products are determined by the product, not by whether it is produced by a multinational corporation or an SME. Like cigarettes, both cigars and cigarillos consign tobacco and nicotine and entail serious health risks.</p> <p>Furthermore, the use of products other than conventional cigarettes, such as cigars and cigarillos, has been rising in recent years, with Finland as an example, where 20.51% of the population report ever having used cigarillos²² Between 2019 to 2023, the EU's e-cigarette market grew by 421% in volume²³ from 2018 to 2023 the EU's sales value of nicotine pouches increased by 1697%.²⁴</p> <p>From a public health perspective, all tobacco and nicotine products should be regulated according to their health impact rather than the size of the manufacturer.</p>

²² <https://publications.ersnet.org/content/erj/52/suppl62/oa5223>

²³ With units sold rising from 125 million in 2012 to 649 million in 2023. Source: Euromonitor International Ltd, Tobacco, 2025 industry edition

²⁴ Ibid.

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<p><i>should provide for a phased implementation of the applicable excise framework, accompanied by appropriate administrative support and guidance for smaller economic operators.</i></p> <p>(26) In order to have neutral conditions of competition in the tobacco sector, it is also necessary to set the minimum tax levels in a manner ensuring fair competition between product categories and avoiding distortions affecting legally operating economic actors, for waterpipe tobacco, heated tobacco, other manufactured tobacco and tobacco related products which can be seen as substitutes for tobacco products from a fiscal perspective.</p> <p><i>By ... [two years from the date of entry into force of this Directive], the Commission shall assess the impact of the new minimum excise duty rates applicable to cigars and cigarillos on SMEs, family-owned manufacturers, regional employment, supply chains, and substitution patterns. Where the assessment shows a disproportionate adverse impact on SMEs, family-owned manufacturers or regional employment, the Commission shall submit a legislative proposal to adjust the applicable minimum rates or the structure of those rates so as to ensure proportionality and to maintain an appropriate differential vis-à-vis cigarettes.</i></p>	
<p>A natural or legal person established in the Union who manufactures a tobacco or tobacco related product or has such a product designed or manufactured and markets that product under his name or trademark shall be deemed to be a manufacturer.</p>	<p>6. Limiting the scope of the Revision to Tobacco Products</p> <p>The ECON report echoes tobacco industry attempt seeking further loopholes for nicotine products, seeking privilege for an addiction inducing product range.</p> <p>However, the World Health Organisation warned that “all tobacco, nicotine and related products pose health risks, including risk of addiction.” The European Commission reconfirms this in its report on the potential risks to public health associated with the use of refillable electronic cigarettes, stating that “Nicotine is an alkaloid found in tobacco plants.</p>

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	<p><i>It is a stimulant that acts on the parasympathetic nervous system and is the primary cause of addiction to tobacco products.”</i></p> <p>Studies also showcased that can interfere with brain development, particularly in areas related to learning, attention, and impulse control, making its use especially harmful for young people and adolescents. Furthermore, nicotine has been associated with an increased risk of mental health issues, including anxiety and depression, as well as higher levels of alcohol consumption.²⁵</p>
<p>Member States shall be allowed a transitional period until 31 December 2032 in order to reach the rates or minimum amounts laid down in paragraph 4 of this Article.</p> <p>4. From 1 January 2033 Member States referred to in the first sentence of paragraph 3 of this Article, shall ensure that the overall excise duty, expressed as a percentage, as an amount per kilogram or for a given number of items, shall be at least equivalent to the rates or minimum amounts laid down for:</p>	<p>7. Delaying the Political Process</p> <p>The ECON report echoes the Tobacco Industry attempt to further delay the revision of the EU’s Tobacco Control Framework. However, every year of extra delay on tobacco and nicotine control leads to thousands more extra deaths, disease, addiction and misery and a delay of the EU’s Objective of achieving a Tobacco Free Generation by 2040 as set out in Europe’s Beating Cancer Plan and Safe Hearts Plan.</p> <p>The immediate implementation of tobacco control policies at the highest level could prevent 20% of lung cancer cases in men and 23% of lung cancer cases in women in Europe over the next two decades.²⁶</p> <p>There is no merit in delaying introduction of legislation.</p>

²⁵ Nordic Cancer Union, *Recommendations from the Nordic Cancer Union: Why the EU must act now to safeguard a tobacco- and nicotine free future*, 2025

²⁶ Kevin Ten Haaf, *Confronting the burden of tobacco-related lung cancer in Europe in the next decades*, The Lancet Regional Health – Europe 4, <https://pmc.ncbi.nlm.nih.gov/articles/PMC8454878/>