

P O L I C Y B R I E F

Tobacco Taxation — Between the New European Directive and Romania’s Macroeconomic Reality

Key Findings and Policy Recommendations from the High-Level Consultation

Aspen Institute Romania

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Context and Purpose

On 25 February 2026, the Aspen Institute Romania organized a tobacco taxation policy roundtable in Bucharest, bringing together approximately 25 participants from public institutions, international organizations, the medical profession, academia, and civil society. The event examined Romania's tobacco taxation landscape in the context of the revision of the European Union's Tobacco Taxation Directive (Council Directive 2011/64/EU).

The consultation drew upon statistical and econometric research conducted by the Aspen Institute Romania, an analysis of the impact of tobacco use in Romania by the Organisation for Economic Co-operation and Development (OECD), and the work of the Health Economics and Policy Analysis (HEPA) research group of the Vienna Institute for International Economic Studies (wiiw). This brief summarizes the evidence presented, as well as the policy-relevant findings and recommendations derived from the discussion.

The Scale of the Challenge

Prevalence and Health Burden

Romania is one of the European Union (EU) member states with the highest rates of tobacco consumption. Currently, 34% of adults currently smoke¹, which is well above the EU average of 24%. Equally concerning is the trend: after declining to 28% in 2017 due to coordinated tobacco control policies, smoking prevalence has risen again, reversing several years of public health progress². As a result, Romania is increasingly diverging from the objectives of Europe's Beating Cancer Plan, which aims to reduce tobacco use to below 5% of the population by 2040.

Smoking intensity is also notably high; 92% of adult smokers in Romania are daily smokers, averaging 17 cigarettes per day³. The situation among teenagers is not less worrying. Romania ranks among the EU member states with the highest rates for both conventional cigarettes use and e-cigarette consumption among adolescents.

Consequently, the mortality impact of tobacco use is substantial. The OECD estimates that approximately 12,000 Romanians die prematurely (before the age of 75) each year from diseases linked to tobacco use. In a country where the population has declined by roughly

¹ Eurobarometer (2023). Attitudes of Europeans towards tobacco and electronic cigarettes. Special Eurobarometer 539. European Commission, Brussels.

<https://europa.eu/eurobarometer/surveys/detail/2995>

² Eurobarometer (2017) Attitudes of Europeans towards tobacco and electronic cigarettes.

<https://europa.eu/eurobarometer/surveys/detail/2146>

³ Eurobarometer (2023). Attitudes of Europeans towards tobacco and electronic cigarettes. Special Eurobarometer 539. European Commission, Brussels.

<https://europa.eu/eurobarometer/surveys/detail/2995>

10% over the past two decades, tobacco use is further accelerating Romania's demographic downturn.

Tobacco use causes numerous diseases. The OECD estimates that 34% of cancers in Romania are attributable to tobacco use, with tobacco-related healthcare expenditure representing an estimated 8% of total healthcare costs. Cancers and other tobacco-related diseases often occur before the retirement age. According to the OECD, smoking reduces Romania's labour force by an estimated 100,000 full-time equivalents annually, with 77% of that loss attributable to reduced labour force participation. These figures are particularly worrisome given the critical need to sustain a healthy and productive workforce against the backdrop of Romania's rapidly ageing population.

As a result, the OECD estimates that Romania's GDP will underperform its potential by approximately 2.1% over the next 25 years due to the economic impact of cigarette smoking.

The Tobacco Burden on Households' Budgets

Econometric research based on data from 273,000 Romanian households in the Household Budget Survey (2015–2023) indicates that tobacco expenditures crowd out essential household spending. The analysis suggests that lower-income households would benefit significantly from smoking cessation; not only would they enjoy better health, but they would also have more funds available for essential goods and services.

On average, tobacco accounts for more than 15% of total consumption expenditure among the 35% of Romanian households that smoke. Notably, tobacco spending exceeds what these households pay for healthcare (4.2%), leisure (2.4%), or housing maintenance (5.8%). This distortion is particularly evident in food expenditure: smoking households devote 31.2% of their budget to food, compared with 38.6% among non-smoking households—a gap of 7.4 percentage points.

The analysis reveals a strongly regressive pattern. Low-income smoking households dedicate 21% of their budget to tobacco, compared to 14% for high-income smokers. For low-income households, tobacco spending significantly displaces healthcare and housing expenditures, whereas high-income households can absorb these costs without reducing essential spending. Based on these estimates, higher tobacco taxation would likely have a progressive effect across households, as the additional tax burden would primarily be borne by higher-income households.

When expressed in annual terms, these displacement effects are substantial. Among middle-income households, an additional pack-per-day smoker notably reduces health-related spending. In contrast, for high-income households, the extra spending on cigarettes does not crowd out essential expenditures and is instead associated with an increase in health spending.

Consumption structure among Romanian households by income level



Source: authors calculations based on the aggregate HBS 2015-2023 (NIS). Products are grouped according to COICOP classification.

The Need for a More Ambitious Tobacco Tax Policy

Cigarettes have become significantly more affordable in Romania, which may explain the rebound in prevalence observed in recent years. Income growth has consistently outpaced cigarette price increases, with cigarettes estimated to be 30% more affordable today than they were a decade ago. The affordability index—the share of annual GDP per capita required to purchase 100 packs of cigarettes—declined from 4% in 2015 to below 3% in 2023.

Taxes represent 67% of the final retail price of the most-sold brand of cigarettes. This figure is below the tax share found in most other EU member states and falls short of the World Health Organization’s recommended tax share of 75%.

The share of taxes in the final retail price of other tobacco products is lower than that for cigarettes. Taxes account for only 46% of the retail price of heated tobacco products (HTPs), mainly due to lower excise duties compared with manufactured cigarettes, despite recent tax increases. When measured in 20-cigarette stick equivalents, the specific excise tax on roll-your-own tobacco and heated tobacco products amounts to 62% and 50%,

respectively, of the minimum tax applied to cigarettes. This preferential tax treatment may encourage dual use or prompt consumers to switch to these products instead of quitting altogether; their relatively low prices may also increase the risk of smoking initiation, particularly among young people.

The findings indicate that Romania's most recent increases in tobacco excise taxes have not been sufficient to raise the overall tax share or to reduce significant price differences across tobacco products. A more ambitious tobacco tax policy is needed, aligned with that of several other Eastern European countries that raised tobacco excise taxes by more than 30% in 2025.

The Opportunity of the Revised EU Tobacco Taxation Directive

Romania's Macroeconomic Situation

Romania's fiscal position has worsened in recent years. The budget deficit has expanded, public debt has increased, and tax revenues (excluding social security contributions) have fallen as a share of GDP. This need for fiscal consolidation creates a strong case for an ambitious tobacco tax reform: reducing consumption supports public health objectives while also helping to generate additional government revenue.

The Revised EU Tobacco Taxation Directive (EU TTD)

The proposed revision of Council Directive 2011/64/EU, released in July 2025 and currently under negotiation at the EU level, would require Romania to raise its fixed minimum excise tax on cigarettes. The proposal introduces a price-adjusted minimum level that reflects differences in purchasing power across Member States. Applied to Romania, this would mean increasing the minimum excise tax from the current EUR 138 per 1,000 cigarettes to EUR 189 per 1,000—a 37% rise.

The proposal also extends taxation to newer tobacco and nicotine products, including heated tobacco products, e-cigarette liquids, and other recently developed nicotine-containing items that have emerged since the 2011 Directive. In addition, the revised Directive proposes including raw tobacco in the EU's electronic system for tracking and monitoring the movement of excise goods, with the aim of reducing illicit tobacco manufacturing.

Projected Fiscal and Health Impact

Simulation based on the TETSIM model⁴ shows that excise increases in line with the proposed revision of the Tobacco Taxation Directive released in July 2025 would generate EUR 1.45 billion (7.26 billion RON) in additional excise revenue over 2024-26. Compared to the implementation of the current excise calendar, total tax revenues (including VAT) would increase by **26%** relative to 2023. Cigarette consumption would decline from 26.2

⁴ See the research study available at <https://hepa.wiwi.ac.at/publications/research-studies/tobacco-landscape-and-taxation-in-romania>

to 22.8 billion sticks, tobacco use prevalence would decline by 2 percentage points, and 92,800 premature deaths would be averted in the long run.

By contrast, maintaining the current excise calendar was projected to increase premature mortality (by 13,200 additional deaths), cigarette consumption (to 27 billion cigarettes in 2026), and prevalence among adults (to 28,3%).

Concerns

Discussions during the workshop addressed several common arguments put forward by stakeholders opposing tobacco tax reform, including:

Revenue sustainability. Concerns that higher tobacco taxes could undermine revenue were countered by evidence showing that excise revenues have historically increased following tax hikes in the short to medium term. Over the longer term, the fiscal benefits are likely to grow further due to reduced healthcare spending and improved labour productivity.

Illicit trade. The claim that higher tobacco taxes lead to increased illicit trade is not strongly supported by empirical evidence. Cross-country analyses show that illicit trade is primarily driven by weak supply-chain controls and inadequate tax enforcement, rather than by the level of excise taxation itself.

Employment. Romania's tobacco manufacturing sector employs around 3,000 workers. Although employment in the sector has grown by 42% over the past six years, it remains relatively small, accounting for less than 0.3% of total industrial employment. Moreover, these jobs represent only about 3% of the full-time equivalent positions lost due to the broader economic impact of tobacco consumption.

Nicotine harm. Clinical evidence shows that newer tobacco and nicotine products, including e-cigarettes and heated tobacco products, are not safe alternatives to conventional cigarettes. The widespread use of high-nicotine products—particularly among young people—poses a significant public health risk and underscores the need for strong policy measures to prevent initiation and promote cessation. The revised EU Tobacco Tax Directive seeks to address these challenges.

Policy Recommendations

- 1. Support the adoption of the proposed revision of the EU Tobacco Taxation Directive (Council Directive 2011/64/EU), released in July 2025.** Delaying its adoption is costly and undermines Romania's broader development objectives. Each year of inaction leads to lost revenue and avoidable premature deaths. It also means missed opportunities to improve nutrition and housing for low-income households and to reduce poverty more broadly.

- 2. Implement tobacco excise tax schedules that outpace both inflation and real income growth.** Such schedules provide transparency by setting out planned annual (or semi-annual) tax increases, which can encourage smokers to quit. Importantly, tobacco tax increases must exceed inflation and income growth to ensure that tobacco products become less affordable over time. Indexing tobacco taxes to nominal income growth should be complemented by additional tax increases when reductions in smoking prevalence are not achieved.
- 3. Align the tax treatment across tobacco and nicotine products.** Harmonising the tax burden on a stick-equivalent basis between cigarettes and heated tobacco products would reduce product substitution and help prevent smoking initiation. This reform should be part of a comprehensive tobacco taxation package that increases taxes across all products simultaneously, reduces affordability, and encourages smokers to quit.
- 4. Implement comprehensive tobacco control measures.** Tobacco taxation is one of several key tobacco control tools that play an important role in reducing tobacco consumption. Other measures include restrictions on advertising and sponsorship (including at cultural events), plain packaging requirements, and expanded smoke-free environments. Together, these policies can help reduce tobacco use and complement taxation measures effectively.

Conclusion

Romania's current tobacco taxation policy is insufficient from both a fiscal and public health perspective. Cigarettes have become more affordable, smoking prevalence has risen again, and household welfare—particularly among the most vulnerable—is undermined by the fact that cigarette spending displaces expenditure on essential goods and services.

The revision of the EU Tobacco Taxation Directive released in July 2025 presents a clear, time-bound opportunity to reverse this trend. The expected health and fiscal benefits from the July 2025 proposal are significant, while concerns about revenue loss, illicit trade, and employment impacts are not supported by the available evidence. Given Romania's fiscal pressures, declining population, and the need for a healthier workforce, more ambitious tobacco taxation is both urgent and necessary.

About This Brief

This policy brief was prepared by the Aspen Institute Romania following a roundtable consultation held on 25 February 2026 in Bucharest. The consultation took place as part of the “Tobacco Taxation in Eastern Europe” project, funded by the Vienna Institute for International Economic Studies (wiiw), a partner of Bloomberg Philanthropies' Initiative to Reduce Tobacco Use. The discussion was conducted under the Chatham House Rule; as such, no statements or views are attributed to individual participants. The analysis draws on research conducted by the Aspen Institute Romania, as well as an assessment of the impact of tobacco use in Romania by the Organisation for Economic Co-operation and Development (OECD), and regional monitoring data from the wiiw HEPA project.