



EU Commission presents comprehensive proposal to revise the Tobacco Tax Directive

Trade
Compliance

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On July 16, 2025, the European Commission presented a comprehensive proposal for a revision of Directive 2011/64/EU (Tobacco Tax Directive). The revision of the Tobacco Tax Directive aims to fundamentally modernize the taxation of tobacco and related products. To this end, several new product categories are to be introduced, taking into account new developments, market conditions, and health policy challenges. The revision of the Tobacco Tax Directive is intended to apply from 1 January 2028.

1. Extension of the scope: introduction of new product categories

A key element of the revision is the extension of the scope to new product categories. These include, in particular, liquids for e-cigarettes (including nicotine-free ones), heated tobacco, nicotine pouches, and other nicotine-containing products without tobacco. These products have not been taxed at the national level to date, or only in an inconsistent manner. The European Commission is now proposing EU-wide harmonization to avoid distortions of competition and increase the effectiveness of health policy measures.

Raw tobacco will also be covered by the Directive: the application of the Excise Movement and Control System (EMCS) is to be extended to raw tobacco. However, the proposed minimum tax rate will initially be zero. The new measures are intended to improve the traceability of tobacco and tobacco related products, make tax evasion more difficult, and facilitate the fight against illicit trade. The European Commission estimates that the new control mechanisms could recover 10 to 20% of the current tax fraud (estimated at EUR 13 billion per year). Some Member States already subject raw tobacco and tobacco waste to tobacco tax if they consider them to be “smokeable”. In practice, this leads to extensive reporting requirements for the transport or transit of raw tobacco or tobacco waste in or through the tax territory of individual Member States.

The Commission's proposal to modernize the Tobacco Tax Directive also contains provisions for products that, by their nature, fall into more than one category, such as those that fall under both the definition of “heated tobacco” and “cigarettes”.

The European Commission's goal of preventing abuse, tax evasion, and illicit tobacco trade also raises the barriers to legal trade in tobacco products. The risk of unintended excise taxes due to simple process errors or inaccurate product classification increases.

2. New calculation basis: combination of nominal value and purchasing power

According to the European Commission's proposal, the current practice of setting minimum EU rates of excise exclusively in nominal amounts is to be replaced by a new mixed model. In future, two-thirds of the minimum EU rate of excise duty shall be calculated in fixed euro amounts and one-third on the basis of the purchasing power of the respective Member State. A "price level index" (PLI) will be calculated for each Member State, taking into account purchasing power parity (PPP) within the EU. The fixed euro amounts will also be increased or decreased by a percentage depending on inflation trends, with the inflation trends of the past three years being decisive. The minimum EU rates of excise duty are to be adjusted every three years, taking into account both inflation trends and economic differences between Member States. The aim of the new model is to increase the effectiveness of the minimum EU rates of excise duty, particularly in economically stronger Member States where the previous rates have little or no effect. At the same time, the new system is intended to enable a fairer distribution of the tax burden.

3. Health protection and tax harmonization as guiding principles

The revision of the Tobacco Tax Directive is closely linked to Europe's Beating Cancer Plan, which aims to achieve a "tobacco-free generation" by 2040. The European Commission emphasizes the role of taxation as one of the most effective tools for reducing tobacco consumption, especially among young people. Aligning tax rates between different product categories (e.g., cigarettes, fine-cut tobacco, cigarillos, water pipe tobacco) is intended to prevent tax-motivated substitution to cheaper products.

The European Commission's proposal to revise the Tobacco Tax Directive marks the start of the legislative process at European level. The next step will be for the draft to be discussed in the Council of the European Union and the European Parliament. The trilogue negotiations between the Commission, the Council, and the Parliament will be particularly important in reaching agreement on the final version of the Directive. Only after these negotiations have been successfully concluded and formally approved by all parties involved can the revised Directive enter into force. It therefore remains to be seen whether the European Commission's proposal will actually be implemented in its current form. The negotiations between the three EU institutions may still result in significant changes.

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