

5 December 2025

To: Dr. Ursula von der Leyen
President of the European Commission
Mr. Wopke Hoekstra
Commissioner for Climate, Net Zero and Clean Growth (incl. Taxation)

European Commission
Rue de la Loi/Wetstraat 200
1049 Brussels
Belgium

Cc: Ministers of Finance of EU 27 Member States

Subject: Urgent Concerns Regarding the Tobacco Excise Directive (TED) Review and Dangers of Excessive Taxation
Europe should not undermine its economy and public health with ineffective tax policies

Dear President von der Leyen and Commissioner Hoekstra,

We, the undersigned leaders of national and international organizations with strong operational and economic footprints in Europe, are writing to express serious concerns over the direction the European Commission has taken with the proposal for Council Directive (2025/580) for the revision of the Tobacco Excise Directive ('TED' Dir. 2011/64), as adopted in the College of Commissioners on July 16th.

The proposal contains increase of the minimum excise on cigarettes by 140%, on fine cut tobacco by 260%, together with massive tax hikes on scientifically substantiated less harmful and innovative products, such as vapes, pouches and heated tobacco products. Crucially, it fails to incorporate appropriate excise differentials that proportionally reflect the distinct harm profiles, consumer behaviours, and product characteristics of these categories.

This would result in dramatic consequences for Europe's economy, stifling growth and innovation. But there would be limited – or likely no – benefits for the health of European citizens.

The Impact Assessment acknowledges — but significantly underestimates— such negative impact, in contrast with most recent calls to secure Europe's competitiveness, such as Dr. Draghi's recent report.

At a time of geopolitical uncertainty and fragile supply chains, Europe's resilience is confronted with the competition from strong economies such as China and the US and depends on sectors that anchor value locally. Our sector is one of them and will be jeopardized by the proposed policy approach. A great deal is at stake.

- Our sector contributes 224 billion EUR to the GDP of the EU-27, equivalent to 1.3% of the EU's total economic output and higher than the telecommunications and textile industries combined. If ranked as a stand-alone EU member state, it would be the 17th economy in the EU, between Greece and Hungary.
- Our product sales generate 112.9 billion EUR in VAT and excise tax revenues, which is equivalent to more than half of the EU's defense spending.
- The sector sustains 2.1 million jobs across the EU from tobacco farming to processing, distribution to retail, R&D to electronics manufacturing for new nicotine devices. These jobs generate 61 billion EUR in wages.
- The EU also holds a powerful position in global trade. EU-27 member states account for almost 40% of global tobacco exports.

The high tax increases the Commission proposes for tobacco and other nicotine products intend to ensure "a high level of human health protection". But they would achieve exactly the opposite. By fueling illicit trade, they would not lower consumption nor steer consumers toward less harmful alternatives. Rather, they would damage the entire value chain, hurting SMEs and undermining government revenue collection while stifling our innovation, investments, and employment.

The Commission's proposed tax hikes that, if implemented, would:

- **Fuel illicit trade and organized crime.** In 2024, 52 billion illicit cigarettes were consumed in Europe's 38 markets monitored by KPMG,¹ costing governments 19 billion EUR in lost tax revenue, a striking 15% of total revenue collection. On new products, data is scarce. However, research seems to indicate that illicit flows coming from China could be around EUR 10 billion.

Illicit trade deprives the public sector of funding needed for healthcare, infrastructure, and education. Lawful retailers and logistics providers face mounting losses, while criminal actors exploit regulatory gaps and tax differentials with increasing sophistication. When taxes (and prices) increase, consumers find a solution by shifting to illicit products with quality and safety that are dubious at best.

Excessive tax increases on all products (cigarettes, fine-cut, and even worse, innovative products) underestimate the risks of creating greater opportunities for criminal networks to expand their market share and even worse might jeopardize the affordability of better alternative products to low income consumers.

- **Undermine both fiscal stability and industrial resilience at a time when economic growth across Europe remains subdued.** Current taxation levels account for more than 80% of the retail price of some tobacco products in the EU. Final consumer prices have skyrocketed, placing a disproportionate burden on consumers, and distorting the legal market. Additional taxes will further exacerbate inflation in the EU by 0.5%, as estimated by the Impact Assessment. Regrettably, this would disproportionately affect lower-income citizens. The proposal risks disincentivizing investments in the region, particularly in sectors focused on harm reduction and innovation, such as vaping technologies and heated products, at a time when investments and innovation are sorely needed to fuel Europe's growth. Moreover, the proposal threatens the core of Europe's tobacco-related economy, including manufacturing hubs and agricultural communities that rely on tobacco cultivation.
- **Not improve public health.** The proposed solutions are akin to policies recently implemented in France and the Netherlands, generating a systemic failure that we should not reproduce in Europe at large.
 - In France, 4 out of 10 cigarettes sold every day are illicit. Repeated tax hikes have pushed illicit cigarette consumption to unprecedented levels, resulting in €9.5 billion in lost tax revenue and rising insecurity linked to criminal activity. Meanwhile, France continues to have one of the highest smoking rates in the EU at a staggering 27%.
 - In the Netherlands, after steep excise tax hikes from 2020 to 2024, non domestic consumption more than doubled, reaching 45% of total use². This led to nearly €900 million in lost tax revenue — funds which could have addressed the budget deficit of the national police force or helped avoid the proposed budget cuts on education. Total cigarette consumption increased by 1% between 2023 and 2024, showing the clear failure of this policy.³
- **Disproportionately impacts lower income member states and populations.** The proposed minimum rates would have a disproportionate impact on the economies of the less wealthy countries. They would also disproportionately disadvantage lower income households, potentially contributing to widening regional inequality.

Europe is at a turning point. Faced with stagnant growth, declining investment and intensifying geopolitical risks, the EU needs to steer away from outdated solutions that do not work. We must instead find innovative and effective solutions that drive innovation, fuel growth, sustain public health through science and technology and further competition for the benefit of the European citizens.

¹ Source 2024 KPMG Report https://www.pmi.com/resources/docs/default-source/itp/illicit-cigarette-consumption-in-europe-2024-results.pdf?sfvrsn=4ad3ac8_6

² Source Dutch ministry of Finance – 2024 empty pack survey: <https://open.overheid.nl/documenten/96b6843b-5154-4d74-98c7-f979412549d5/filehttps://open.overheid.nl/documenten/96b6843b-5154-4d74-98c7-f979412549d5/file>

³ Source 2024 KPMG Report https://www.pmi.com/resources/docs/default-source/itp/illicit-cigarette-consumption-in-europe-2024-results.pdf?sfvrsn=4ad3ac8_6

The development of less harmful nicotine products, guided by rigorous safety, quality and consumer standards, offers an opportunity to revitalize domestic manufacturing, attract investments, foster employment and position Europe as a leader in next-generation solutions for public health and the economy.

It is essential that Member States retain the sovereign right to set taxes as they consider appropriate in their own country. Any new minimum rates in the revised TED must not force individual Member States to excessively increase the excise on traditional nor emerging alternative products if they consider it inappropriate in light of their domestic policy objectives. That is precisely what the very high rates included in the proposal adopted by the Commission would risk doing.

Excessive increases that make no appropriate distinction between harmful and less harmful products would also send the wrong signal to consumers. Europe needs new, pragmatic approaches to shape a better future based on progress, technology, and innovation, not counterproductive policies or ineffective solutions. To meet Europe's ambition to reduce smoking prevalence to below 5% by 2040, a more moderate approach is needed than resorting to excessive taxation.

We acknowledge the necessity for a harmonized approach to excise duties on novel nicotine products within the EU, and therefore the introduction of new categories and the harmonization of tax structures. However, we believe that now is not the time for additional taxes on citizens, especially not the severe tax increases proposed.

The time to act boldly—and effectively—is now.

And we stand ready to play our part.

As representatives of the thousands of companies and over 2 million Europeans in this sector, we stand ready to engage in constructive dialogue to help shape a future where innovation, economic growth and competitiveness align with and support Europe's public health legitimate objectives.

Amcor PLC	Comas S.p.A.
Another Snus Factory	Confindustria Emilia Area Centro
Arethia Services Germany GmbH & Co. KG und Hertz Flavors KG	Confindustria Reggio Emilia
AS Prike	Continental Tobacco Group
Asaja: Asociación Agraria Jóvenes Agricultores	Convenience Stores Sweden
Asociația Micilor Comercianți	CROHM - Udruga korisnika osobnih isparivaca
Asociația pentru Combaterea Traficului Illicit "Viitorul"	DanCzek Teplice a.s.
Associazione Nazionale Venditori e Distributori di Tabacco	Delfortgroup AG
Associazione Produttori Tabacco S.C.R.L.	Delivery Ltd.
Assotabaccai Confesercenti	Deltafina Srl
Borisov&Denev Commerce Ltd.	Dos Santos S.A.U
British American Tobacco	DT-holding a.s.
Business Centre Club	Elis Ltd.
Cassandra Trading Ltd	Federacja Przedsiębiorców Polskich
CERDIA International GmbH	Federazione Italiana Tabaccai
Classica Ltd.	Field Star SRL
Cleverttech Group	Filtrona Pte Ltd

Focke & Co.(GmbH & Co. KG)	Plama Ltd.
Fundacja Warsaw Enterprise Institute	PST CLC Mitsui-Soko a.s.
G.D. S.p.A.	Sanitex, UAB
GEKO, a.s.	SEKE S.A.
GGT CZ, a.s.	SIA "Iepirkumu grupa"
GPI (Graphic Packaging International)	SIA Latvijas tirgotāju savienība
Gremi d'Estanquers de Catalunya	SIA MV Latvia
Hertz & Selck GmbH & Co.	SMD logistics
Hrvatska gospodarska komora	Snuset.se (Get this Globe AB)
Hrvatska udruga poslodavaca	Stan 06 Ltd.
Interbrands Orbico SRL	Svenska Snustillverkarföreningen (Snus Manufacturers' Association)
IPP Sales Support Services SRL	SWM International
Körber Technologies GmbH	Tabacum
Krupni list	Tabcom Logistic Ltd.
Logista Integral, S.A.	TANNPAPIER GmbH
Marty Ltd.	TECHNOLOGY
Miquel y Costas & Miquel S.A.	Tobaksleverantörsföreningen (Swedish NMA)
MM Group	Tobaksproducenterne
MV Group Distribution LT, UAB	Tomorrow's Trends & Tools, UAB;
National Association of Tobacco Growers – 2010	Unión de Asociaciones de Estanqueros de España
NBL	Universal Corporation
Nikotinbranchen	UPA: Unión de Pequeños Agricultores y Ganaderos
Orbico d.o.o.	UTIL - Udruga trgovine i logistike
Organisationen Sveriges Servicestationer	Wickeder Westfalenstahl GmbH
Országos Dohányboltellátó Kft.	Zavod Kolektiv 99
PEAL a.s.	Związek Przedsiębiorców i Pracodawców
Philip Morris International	