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**Ministry of Finance**

# **Tobacco Taxation in North Macedonia**

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**World Bank Conference on Health Taxes Reforms**  
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## **Content:**

- I. Overview of Excise Taxation
- II. Recent Excise Policy Reforms
- III. Expected Fiscal and Wider Impact



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# I. Overview of Excise Taxation in MK

- ❑ **Law on Excise Duties\*** - introducing Excise duties in MK
- ❑ **New Law on Excise Duties\*\*** - aligned with Council Directive 2011/64/EU of 21 June 2011 on:
  - ✓ Subject of taxation;
  - ✓ Definitions of tobacco products;
  - ✓ Structure of excise duty (combined);
  - ✓ Minimum amount of total excise duty on cigars and cigarillos;
  - ✓ Weighted average retail price concept, and excise stamps.

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\* Law on Excise Duties (Official Gazette No.32/2001)

\*\* Law on Excise Duties (Official Gazette No.108/2019)



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## **I. Overview of Excise Taxation in MK**

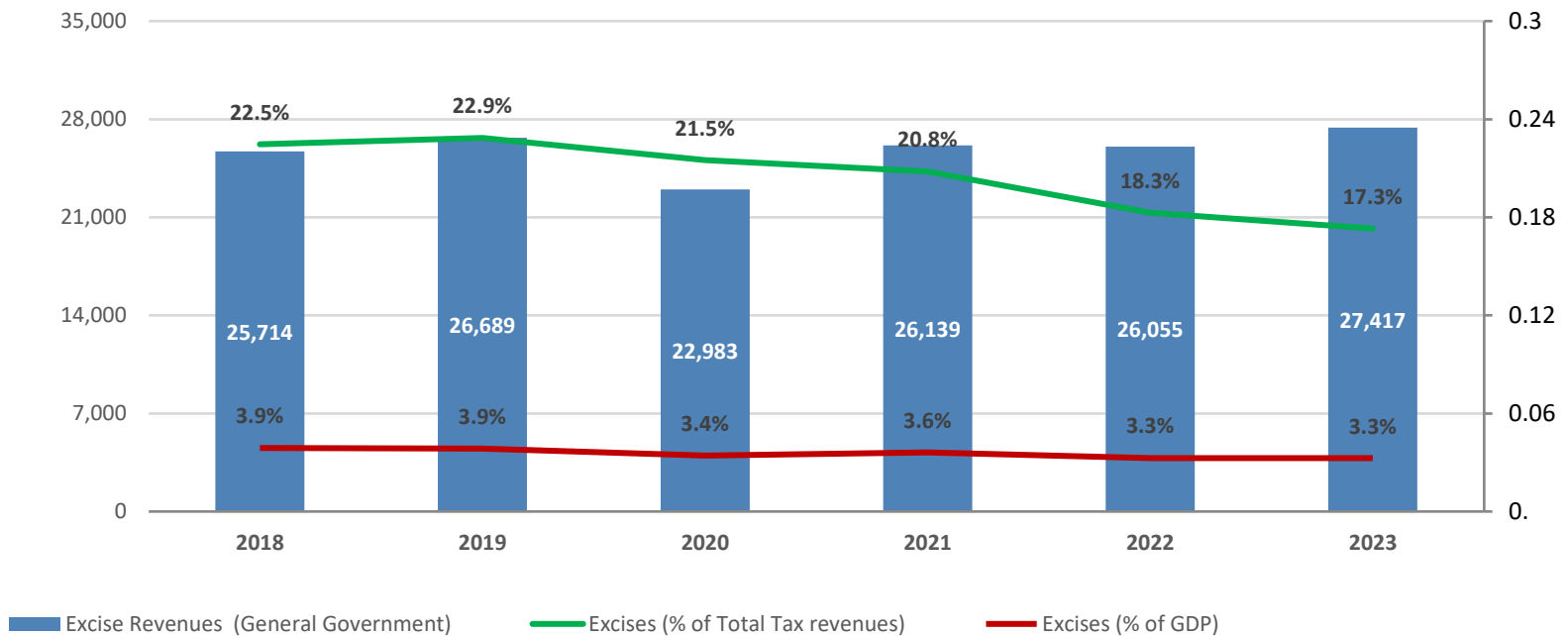
- **Newly introduced tobacco excise goods:** water pipe tobacco (hookah tobacco), chewing tobacco, snuff tobacco, HTP & e-cigarette refill liquid.
- **Excise calendar (2020-2023):** annual increases of specific & minimum excise tax on cigarettes; fine-cut tobacco & on newly introduced tobacco excise goods.
- **Ad valorem excise of 9%** - applied on cigarettes only.
- **Combined excise tax on cigarettes** (in July, 2023): approx. 67% of EU prescribed minimum; **Share of specific excise tax in WAP: 58.8%.**



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# I. Overview of Excise Taxation in MK

**GG Excise Revenues, 2018-2022 (in mil. MKD)**



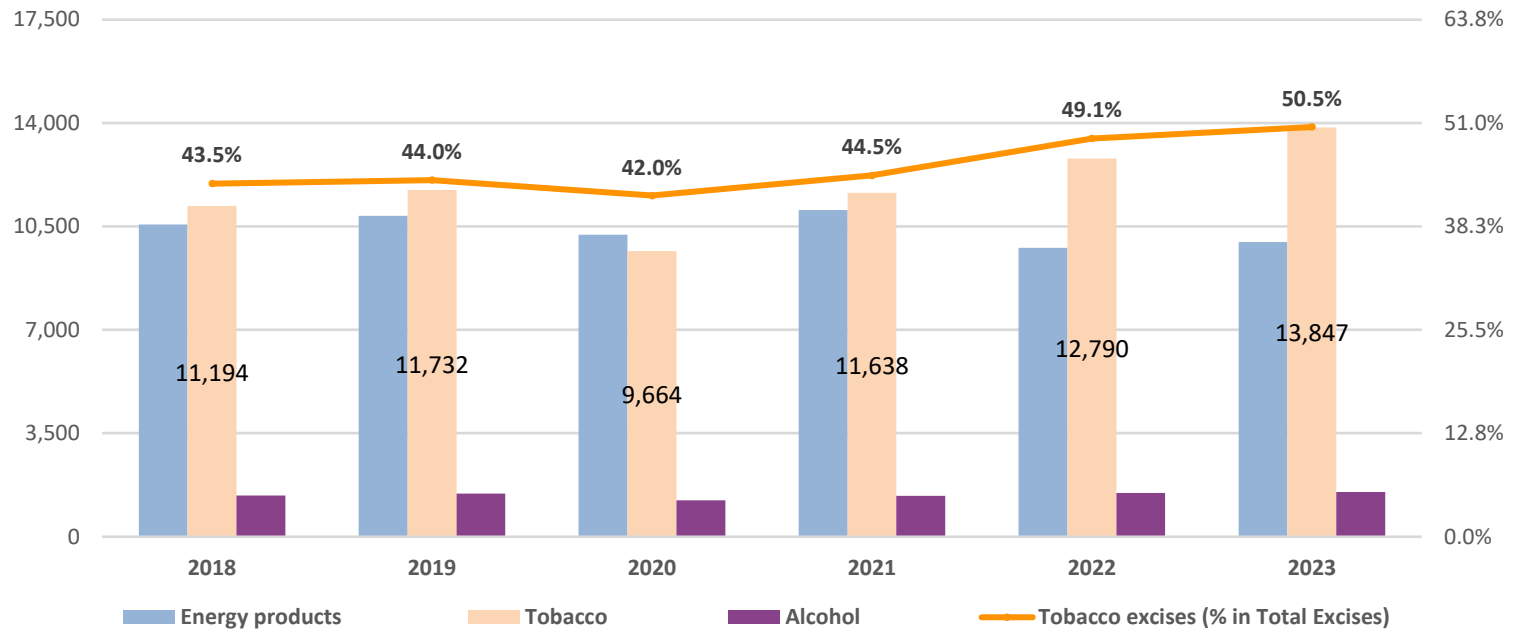
Source: Ministry of Finance



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# I. Overview of Excise Taxation in MK

**Structure of GG Excise Revenues, 2018 - 2022 (in mil. MKD)**

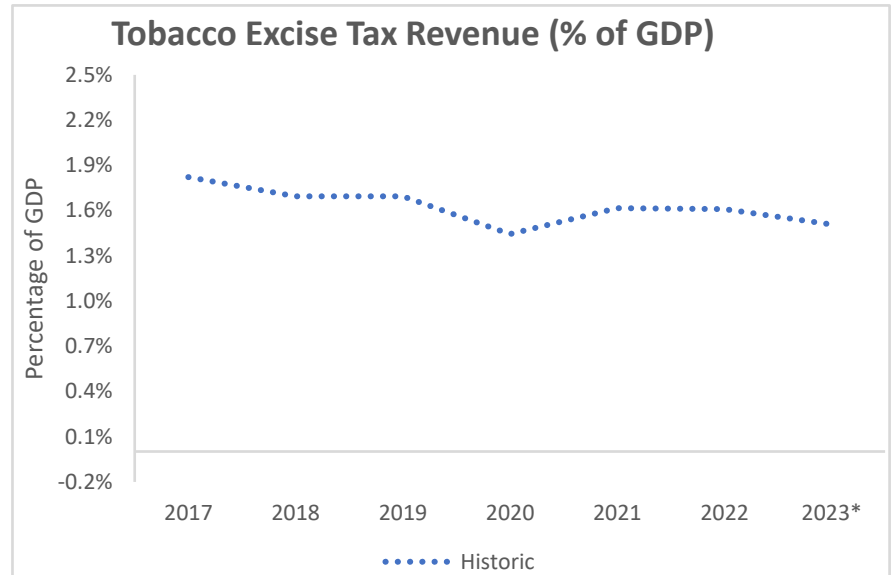
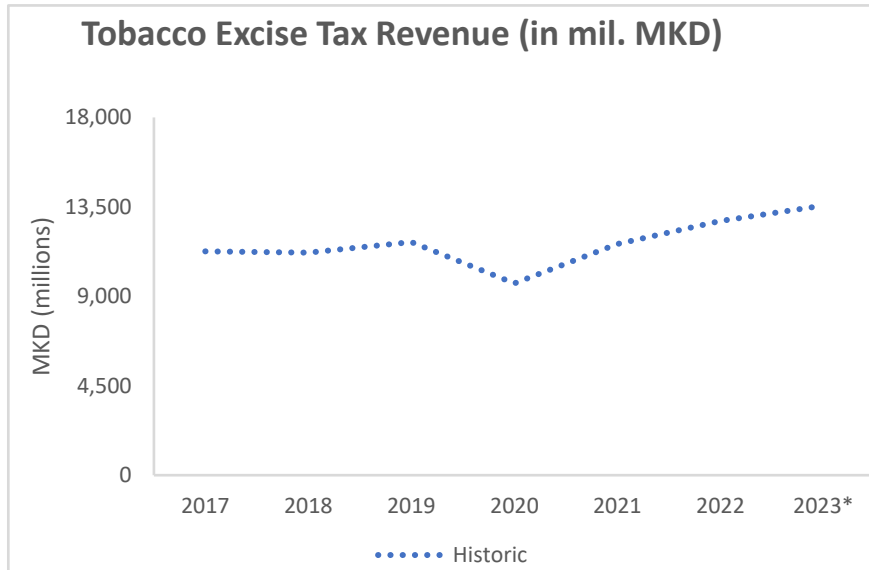


Source: Ministry of Finance



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# I. Overview of Excise Taxation in MK



Source: Ministry of Finance, and World Bank estimates (\*)

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## **II. Recent Excise Policy Reforms**

- **Part of wider tax policy reforms (2022 & 2023)**
  - ✓ Aimed at enhancing tax revenues mobilization and overall tax system quality.
  
- **World Bank engagement**
  - ✓ Exceptional support rendered to MoF in designing the tobacco excise reforms;
  - ✓ WB Recommendations largely informed policy decision making.





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## II. Recent Excise Policy Reforms

- **Law on Excise Duties\*** - adopted in October, 2023.
  
- Cigarettes:
  - ✓ Excise calendar - annual increase of specific tax until 2030;
  - ✓ Full compliance w/ min. EU tax rate by 2030;
  
- Cigars & cigarillos:
  - ✓ Reformed tax structure - applied ad valorem of 9%;
  - ✓ Excise calendar introduced, ensuring relative equivalence w/ excises on cigarettes;

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\* Law on Excise Duties (Official Gazette No.209/23)



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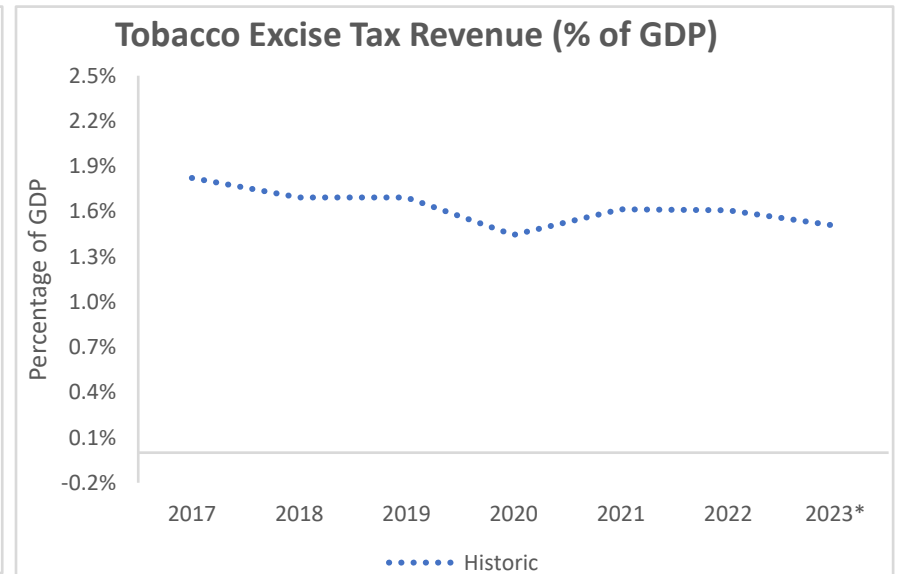
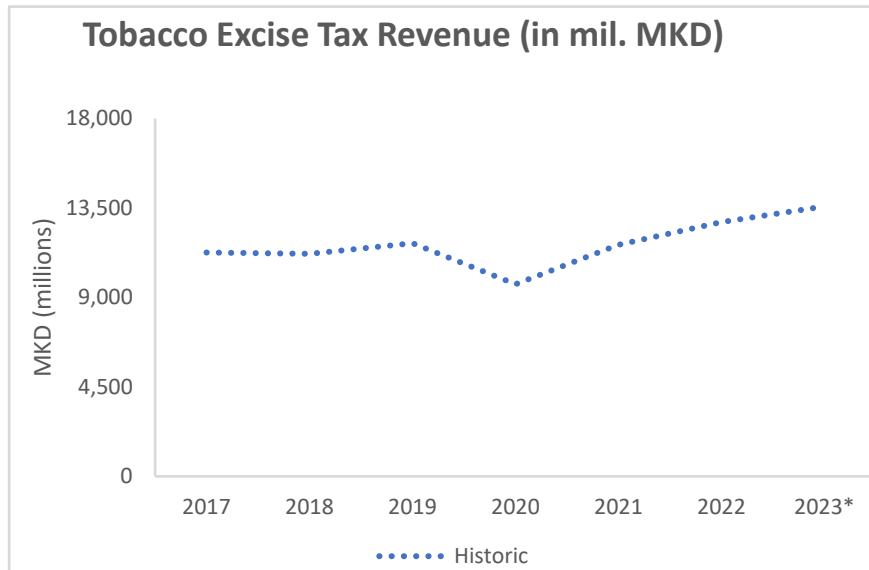
## **II. Recent Excise Policy Reforms**

- Fine-cut tobacco and other smoking tobacco:
  - ✓ Excise calendar - ensures maintaining current relative equivalence w/ cigarettes;
  - ✓ Challenges w/ tax compliance & further strengthening of the excise calendar remain to be addressed.
  
- HTP & e-cigarette liquid:
  - ✓ Strengthened excise calendar from 2024 to 2030.



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### III. Expected Fiscal and Wider Impact



Source: Ministry of Finance, and World Bank estimates (\*)

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**Thank you for the attention!**

**Q & A**