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Romania's Tobacco Excise Policy in 2025:

Missed opportunity ahead of the EU Tobacco Taxation Directive update

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Abstract

In August 2025, as part of a large fiscal package, Romania announced an increase in tobacco and alcohol excise taxes, news welcomed by proponents of public health. However, the announcement turned into a disappointment for the tobacco control community when the final increase in cigarette excise tax amounted to only 2.25%. This policy note outlines the reform and uses a simulation model to demonstrate the missed opportunity to adopt pro-health tobacco tax policy. By not implementing a 10% increase, as for other excises, the newly adopted schedule not only fails to reduce smoking prevalence but also deprives Romania of an opportunity to collect RON 1.657bn (EUR 326.6m) in additional tax revenues in 2025-2027. Moreover, an accelerated tax roadmap aligning Romania with the proposed EU Tobacco Taxation Directive by 2027 would raise an additional RON 4.73bn (EUR 932m), reduce smoking prevalence by 4%, and avert nearly 50,000 smoking-related premature deaths.

Keywords: Excise, Taxation, Tobacco, Smoking

JEL classification: H24, I18

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1. INTRODUCTION

As part of a comprehensive fiscal package, Romania increased excise taxes on tobacco products on 1 August 2025. Yet the increase – 2.25% for cigarettes and roll-your-own (RYO) tobacco – was far below the 10% rise initially signalled by the government and applied to other excisable products such as alcohol and fuel. This has left tobacco taxation lagging behind in terms of both fiscal and public health objectives.

Smoking prevalence in Romania remains above the EU average, with around 27.5% of adults classed as current tobacco users (WHO, 2024). The most recent Eurobarometer survey reported even higher prevalence rates (34%), and ranked Romania third among the EU countries in which prevalence has increased since 2020 (+4 pp) (Eurobarometer, 2023). Although smoking rates had declined substantially in recent decades, they have risen since 2020, in part reflecting the increasing affordability of tobacco products (AIR, 2025). Smoking therefore continues to pose a substantial public health burden.

Romania also plays an important role in the EU tobacco market as a major producer of both cigarettes and heated tobacco products (HTPs), with production facilities supplying not only the domestic market but also exports (AIR, 2025). This dual context – high prevalence and strong industry presence – makes excise policy especially consequential: modest increases not only risk failing to reduce consumption but also reinforcing industry interests.

The excise tax increase in Romania coincided with the European Commission's release of a plan to update the EU Tobacco Taxation Directive (TTD), expected to be adopted in the coming years and to enter into force from 2028 (EC, 2025). The reform will set higher minimum excise rates, while harmonising tobacco and nicotine taxes across member states in order to reduce price differentials that encourage cross-border trade and undermine public health efforts. The proposed TTD therefore provides a clear benchmark for Romania: moving gradually towards higher excise levels now would secure a smooth transition towards the new EU TTD, while also generating immediate revenue gains and health benefits.

In this study, we first describe the timeline of the August 2025 increase, including press announcements and media coverage. Then we show the tax increases applied since the last major excise reform in August 2022, to provide another perspective for the recent decision. The main part of the study presents simulations of the fiscal and health impact of higher cigarette taxes in Romania. The outlined scenarios compare the old tax schedule, the modest 2.25% increase implemented in August 2025, a 10% increase (as applied for alcohol in August 2025), and an accelerated tax plan for 2025-2027 designed to prepare Romania for the update of the EU TTD.

The tax simulation model suggests that the 2.25% increase implemented in 2025 is insufficient to offset the effects of inflation and income growth. As a consequence, cigarette affordability will continue to rise, undermining public health goals and fiscal potential. The results indicate that this increase would generate only RON 240m in additional revenue in 2025 (+1%), rising to RON 375m in 2026 (+1.6%) and RON 333m in 2027 (+1.4%), with gains in the later years coming only from higher VAT revenues. By not implementing a 10% increase, Romania forgoes a total of RON 1.657bn (EUR 326.6m) of tax revenues over three years. The only way to avert significant numbers of premature deaths and to generate sustained revenue growth is to adopt further increases that consistently outpace both inflation and income growth, while also aligning Romania with EU best practices. Our proposed scenario would generate additional tax revenues of RON 4.73bn (EUR 932m) over 2025-2027, reduce smoking prevalence by 4% (from 27.5% to 26.4% of the adult population) by 2027, and avert nearly 50,000 premature deaths.

The findings also demonstrate that acting now would position Romania more favourably vis-à-vis the proposed EU TTD. A 10% increase (in line with increases for other products) in 2025 would have brought Romania closer to the proposed EU targets, while an accelerated schedule (such as the one outlined in Scenario 4) would have placed Romania on track for full compliance by 2028. By contrast, postponing action means that the eventual adjustment required in 2028 will have to be much larger: with no further increases between April 2026 and January 2028, Romania would face a one-off excise tax increase of around 32% to reach the new EU minimum.

The fiscal package of August 2025 therefore represented a missed opportunity to raise tobacco excises in a meaningful way. Although the government's motives for holding back remain unclear, the impact of failing to take stronger action is clear: Romania will now face greater pressure in the coming years to implement larger, more abrupt tax increases. Anticipating the EU TTD update and acting in advance would have allowed a smoother adjustment, earlier revenue gains and better public health outcomes. Although momentum might fade, the window for additional taxation gains is not closed yet – an accelerated schedule in the next few years could still bring Romania closer to the EU targets, while boosting tax revenues in the near term and reducing smoking prevalence.

The rest of this policy note is organised as follows. Section 2 presents the background and timeline of the August 2025 increase and provides context by analysing recent excise increases. Section 3 introduces the Tobacco Excise Tax Simulation Model (TETSIM), describes the scenarios modelled, and presents the results. Finally, Section 4 sets out our conclusions.

2. BACKGROUND

2.1. Timeline of the August 2025 increase

The August 2025 excise increase was prompted by mounting fiscal pressures. On 4 June 2025, the European Commission concluded that Romania had failed to take effective measures to reduce its budget deficit – the only EU country in such a position (EGOV, 2025). This raised the possibility of sanctions, potentially even including the suspension of EU funds, and triggered warnings from rating agencies about downgrades of Romania's sovereign outlook. These external pressures pushed the newly formed government to adopt an urgent fiscal package combining tax rises with spending cuts in order to restore credibility with Brussels and international markets.

On 2 July 2025, the prime minister, Ilie Bolojan, announced the proposed measures at a press conference. The package included a VAT increase (from 19% to 21%), higher social contributions and excise tax rises. The prime minister specified a 10% increase for alcohol and fuel, adding briefly, without providing further detail, that 'excise duties on cigarettes will also go up'.¹ The government approved the package on 4 July, and the draft legislation was transmitted to Parliament on the same day. The government invoked the constitutional procedure of assuming responsibility before Parliament, which allows a draft law to be considered approved unless a motion of no confidence is adopted (a motion was filed, but did not pass). The new excise rates were listed only in annexes to the draft normative act, published on the Ministry of Finance's website under the legislative transparency section on 3 July, and submitted to Parliament on 4 July.

This lack of clarity created confusion in the press. The media widely reported the July announcement as a uniform 10% excise increase across all product categories: fuel, alcohol and tobacco. Major outlets, including Mediafax, ran headlines about cigarette prices rising sharply from August, and even quoting the prime minister as saying: 'It's a 10 percent base increase that is proposed for alcoholic beverages, for fuel and cigarettes.'² Other news outlets echoed this interpretation in their coverage throughout July, and even after the implementation. Although few articles mentioned alcohol and fuel increases without clarifying the rates for tobacco,³ others specifically discussed concerns about how a 10% rise in tobacco excises could impact illicit trade.⁴ In reality, however, the normative act sent to Parliament proposed tobacco excises to increase by only 2.25%. The persistent reporting of a '10% increase' for cigarettes thus reflected a misunderstanding of the government's fiscal package, which shaped public expectations and the broader debate even after the true figures became known.

¹ Balkan Insight, 'Romania Raises VAT as Govt's Tough Measures Target Fiscal Woes', 2 July 2025. <https://balkaninsight.com/2025/07/02/romania-raises-vat-as-govts-tough-measures-target-fiscal-woes/>

² Mediafax, 'Fumătorii, în vizorul noilor măsuri fiscale: accizele la țigări cresc din august. Cu cât se scumpește pachetul' [Smokers targeted by new fiscal measures: cigarette excise taxes to rise from August – how much more will a pack cost?], 2 July 2025. <https://www.mediafax.ro/politic/fumatorii-in-vizorul-noilor-masuri-fiscale-accizele-la-tigari-cresc-din-august-cu-cat-se-scumpeste-pachetul-23575922>

³ Romania Insider, 'Romanian government approves EUR 2.1 bln fiscal package to reduce deficit', 7 July 2025. <https://www.romania-insider.com/romania-govt-approves-fiscal-package-july-2025>

⁴ adevarul.ro, 'Lăcomia face statul român să-și dea cu stângul în dreptul. Motivul pentru care în România se fumează tot mai multe țigări contrafăcute' [Greed makes the Romanian state shoot itself in the foot. The reason why more and more counterfeit cigarettes are being smoked in Romania], 3 August 2025. <https://adevarul.ro/stiri-interne/evenimente/lacomia-face-statul-roman-sa-si-dea-cu-stangul-in-2461987.html>

Figure 1 / Proposed excise calendar for tobacco products in the Annexes of the normative act

Tutun prelucrat					
6	Țigarete	1.000 țigarete	672,92	703,47	718,97

7	Țigări și țigări de foi	1000 buc	591,25	620,00	634,00
8	Tutun de fumat fin tăiat, destinat rulării în țigarete	kg	591,25	620,00	634,00
9	Alte tutunuri de fumat	kg	591,25	620,00	634,00

Source: Initial normative act proposed by the Romanian government, submitted to Parliament on 4 July.

https://www.senat.ro/legis/lista.aspx?nr_cls=L200&an_cls=2025#ListaDocumente The three columns show excise tax rates for 2024, 2025 and 2026. Note that it does not present the rates that applied from April 2025 to July 2025, as there is only one column for 2025. Translation of product categories: 6 – Cigarettes, 7 – Cigars and cigarillos, 8 – Fine-cut smoking tobacco, for rolling cigarettes, 9 – Other smoking tobacco.

Figure 1 shows the proposed – and subsequently implemented – excise levels for traditional tobacco products in the middle column (2025). Total excise duty on cigarettes increased from RON 687.97 to RON 703.47 per 1,000 sticks, while for RYO smoking tobacco it rose from RON 606 to RON 620 per kg. Note that the first column of the modified calendar presents the excise rates prior to April 2025, and hence creates an impression of a larger tax increase than was actually the case. The last column shows total excise duties scheduled for 2026 (which did not change with the August 2025 modification).

The law eventually passed and was promulgated on 25 July 2025 as Law No. 141/25.07.2025 (Decree No. 791/25.07.2025). New excise rates entered into force with effect from 1 August 2025 with no changes relative to the first version of the normative act. It increased excises on alcohol products by 10% and scheduled another 10% increase for 2026. By contrast, excises on cigarettes, RYO tobacco, and HTPs rose only by about 2.2-2.3% on 1 August 2025, and are planned to increase by a similar amount next year. More importantly, the previously planned excise levels for 2026 on tobacco products were left unchanged, i.e. the August 2025 change adds an intermediate step, but does not increase the 2026 tax rate. The steepest increases apply to e-cigarette liquids, which face two consecutive hikes of around 20% each – one in August 2025 and the other in April 2026 (for the comparisons, see Table 1 below).

In line with the first announcements, the fiscal package includes a general increase of VAT from 19% to 21%. This further increases the total tax levied on tobacco products.

2.2. Previous excise increases in Romania

The excise tax calendar has undergone major revisions in recent years, with new schedules introduced in August 2022, January 2024 and now also in August 2025. Previous revisions particularly targeted novel tobacco and nicotine products, as well as alcohol. This context is important for assessing whether the relatively modest cigarette excise increase of August 2025 can be justified. We reviewed the excise tax increases on several products since August 2022, when excise tax hikes were also prompted by budgetary pressure.

Table 1 shows that excises on novel products have increased substantially since 2022, partly reflecting their initially low levels. HTPs had experienced a substantial tax increase already under the 2022 schedule (40% for 2023 and 31% in 2024) and therefore were subject to a relatively small tax increase in 2025. The 2022 plans followed a European Commission report documenting a 72% increase in HTP sales between 2018 and 2020, with the market continuing to grow in subsequent years, according to both domestic and export statistics (AIR, 2025). Meanwhile, e-cigarette liquids continue to face the steepest increases at present, with two consecutive hikes of about 20% each. This is justified by a relatively high prevalence of e-cigarette use in Romania, where about 29% of 15-16-year-olds were current e-cigarette users in 2024, according to the European School Survey Project on Alcohol and Other Drugs (ESPAD), compared with an overall average of about 22.5% for the countries studied (ESPAD, 2024).

Excises on cigarettes and other traditional tobacco products are rising more slowly than those on alcohol. Since August 2022, cigarette excises have increased by about 21%, while alcohol excises are now being raised by the same amount in just two rapid steps within six months. By 2026, alcohol excises will stand almost 50% higher than in August 2022.

Examining the excise rates since 2022, it can be concluded that tobacco products in general, and RYO in particular, are receiving preferential treatment (see Table 1).

Table 1 / Excise tax increases by product categories

	Tax increase according to the normative act		Relative tax increases	
	2025 Aug	2026 Jan/Apr*	2024 - 2026 Jan/Apr*	2022 Aug - 2026 Jan/Apr*
Cigarettes	2.25%	2.20%	6.84%	20.84%
RYO	2.31%	2.26%	7.23%	15.56%
HTPs	2.25%	2.20%	9.44%	101.40%
E-cigarette liquids	19.78%	20.18%	61.73%	104.69%
Alcohol**	10.00%	10.00%	26.19%	47.22%

Notes: * In line with previous calendars, the 2026 excise tax increases are expected in January for alcohol products and in April for tobacco and nicotine products. ** 'Alcohol' corresponds to categories that were taxed before August 2025 (beer, sparkling wine, spirits); it does not include categories such as still wine or ciders on which no excise tax was levied. Still wine and ciders are newly subject to excise tax as of August 2025, at a rate of RON 10/hectolitre (hl), with an increase of 10% to RON 11/hl in January 2026.

Sources: Ordinance no. 16 of 15 July 2022, Legea no. 296/2023, Legea no. 115/2023, Amendments to Legea no. 227/2015 on the Fiscal Code by Legea no. 141/2025.

3. SIMULATION OF TAX INCREASES

3.1. Description of the TETSIM model

The Tobacco Excise Tax Simulation Model (TETSIM) is used to estimate the impact of tobacco tax increases (van Walbeek, 2010; Jovanovikj et al., 2024). The baseline variables describe the cigarette market and the macroeconomic situation. Market variables include the volume sold (i.e. the size of the market); market segments; and decomposition of the retail price into tax components (excise, minimum excise tax, VAT) and net-of-tax components (costs, retail margin, profit). The policy transmission mechanism rests on the deterministic relationship between price/income changes and the demand for cigarettes, and on the response of the industry to the tax increase. For a more detailed description of the model – including elasticity mechanisms and the modelling of health outcomes – see van Walbeek (2010) and Jovanovikj et al. (2024, Section 3). Table 2, below, summarises the model's assumptions.

This analysis builds on the earlier modelling study by AIR (2025), with several updates and adjustments, owing to recent developments. First, the baseline year is shifted to 2024 (from 2023); all inputs have accordingly been updated for 2024. Second, the framework now incorporates the VAT change. We model four cigarette market segments: roll-your-own (RYO) cigarettes, economy and mid-price cigarettes, cigarettes in the premium price segment, and heated tobacco products (HTPs). The earlier simulation also examined excise increases aligned with the forthcoming EU TTD (similar to Scenario 4 here). In addition, it highlighted the importance of taxing HTPs on a per-stick basis, like cigarettes (AIR, 2025).

Table 2 / Model's coefficients and assumptions

Elasticity coefficients				
	RYO	Economy & mid brand	Premium brand	HTP
Income elasticity of demand	0.5	0.5	0.5	0.5
Price elasticity of demand	-0.74	-0.74	-0.6	-0.98
Cross-price elasticity of demand (relative to higher price product in same grouping)	0.3	0.3		
Tax pass-through				
	RYO	Economy & mid brand	Premium brand	HTP
	perfect pass-through	perfect pass-through	overshifting (5%)	perfect pass-through
Health parameters				
Percentage of the decrease in consumption due to lower smoking prevalence – quitting				50
Percentage of people saved from premature death by quitting/not starting				30

Sources: Price and income elasticities for traditional tobacco products are based on earlier studies for Romania and the region, and follow the standard practice in tax modelling: Nerău et al. (2024), Zubović et al. (2019). Price elasticity for HTPs is from Qian (2024). Health parameters are based on Goodchild et al. (2016).

The input data come from several sources. Cigarette prices, including brand-level prices and weighted average price, are available from the Ministry of Finance of Romania, while the HTP price is based on local sources. Market volumes and market shares are based on Euromonitor Passport (Euromonitor, 2025) Inflation forecasts are from the National Bank of Romania, GDP per capita from Eurostat, GDP forecasts from the European Commission's European Economic Forecast, and exchange-rate forecasts from Erste Group research. Current population data comes from the Romanian National Institute of

Statistics (NIS), and tobacco use prevalence is based on World Health Organization (WHO) estimates. Taxation schedules and their sources are described in Section 3.2.

Note that we do not model population growth and other demographic changes, i.e. the model makes predictions for a single cohort. It considers the 15+ age group as of 2024, and it assumes the same price and income effects for all age groups within this population. The modelled public health gains thus do not include the likely lower rate of smoking initiation among adolescents. Finally, the model does not capture the impact of tax changes on cross-border shopping or tax evasion – justified by literature showing that tax increases do not necessarily translate into higher illicit activity (Joosens and Raw, 2003; Ajmal and U, 2015; Ross and Blecher, 2019; Vladislavljjevic et al., 2022).

3.2. Description of scenarios

We examine four tax policy scenarios: First, Romania had an excise calendar with scheduled increases until April 2026, and thus any meaningful comparison should take this into account. The second and third scenarios contrast the expected 10% increase with the actual tax increase in August 2025, showing the immediate effects of this missed opportunity. Finally, in light of the EU TTD update, we show the impact of a preferred tax option that would prepare Romania for the EU-wide increase in tax minima under the proposed TTD.

Scenario 1 follows the calendar in effect before the current increase. This was implemented from January 2024 (with Legea no. 296/2023 and Legea no. 115/2023) and scheduled 2.24%, 2.49% and 4.72% increases in the total excise for cigarettes, RYO and HTPs respectively in April 2025, and then a 4.5% increase for all these products in April 2026. This would result in a minimum excise of RON 718.97 per 1,000 cigarettes, corresponding to EUR 140.42 in 2026. We assume no further increases in 2027.

Scenario 2 corresponds to the actual increases – the modified calendar as currently in effect. Relative to the old calendar (in Scenario 1), this adds an interim increase of 2.25% in August 2025, but leaves the planned levels for April 2026 unchanged. As before, we assume no further increases in 2027. The VAT rate is 21% from August 2025 onwards.

Scenario 3 models the effects of a 10% increase in August 2025, as initially implied. For cigarettes, this would result in a minimum excise of RON 756.77 (EUR 147.8) per 1,000 sticks, while the specific excise for RYO and HTPs would increase to RON 666.6 and RON 1,261.28 per kg, respectively. Even without a further increase in 2026, this level would mean higher excise taxes in 2026 than planned with the current calendar. The VAT rate is 21% from August 2025 onwards.

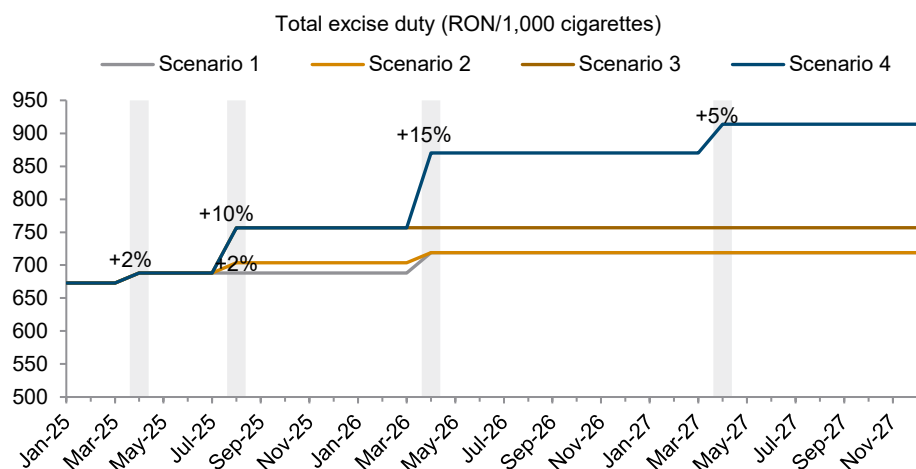
Scenario 4 models the effects of our proposed increases, which takes an approach to excise levels that is in line with the planned update of the EU TTD. Specifically, this means a 10% increase in August 2025, followed by a 15% increase in April 2026 and a 5% increase in April 2027 for all three product categories modelled. For cigarettes, this would result in a minimum excise of RON 870.28 per 1,000 sticks in 2026 and RON 913.80 in 2027, corresponding to approximately EUR 170 and EUR 178, respectively. The VAT rate is 21% from August 2025 onwards.

Table 3 summarises the tax rates applied to the modelled market segments in each scenario, while Figure 2 presents the increases visually for the total excise duty of cigarettes (the increases are in the same range for each product, except for HTPs in April 2025, when their excise increased by almost 5%, while there was only a 2% increase for cigarettes and RYO). The table also includes specific and ad valorem rates for cigarettes, and VAT.

Table 3 / Tax rates applied in the scenarios

	Scenario 1 Old calendar	Scenario 2 Aug 2025 increase (2.25%)	Scenario 3 10% increase in Aug 2025	Scenario 4 Further increases
Total excise, cigarettes (RON/1,000)				
2024 Jan	672.92	672.92	672.92	672.92
2025 Apr	687.97	687.97	687.97	687.97
2025 Aug	687.97	703.47	756.77	756.77
2026 Apr	718.97	718.97	756.77	870.28
2027 Apr	718.97	718.97	756.77	913.80
Specific excise, cigarettes (RON/1,000)				
2024 Jan	543.81	543.81	543.81	543.81
2025 Apr	560.86	560.86	560.86	560.86
2025 Aug	560.86	576.36	629.66	629.66
2026 Apr	588.12	586.13	629.66	734.35
2027 Apr	588.12	586.13	629.66	755.63
Ad valorem excise, cigarettes (%)				
2024 Jan*			12	
2024 Apr			11	
2025 Apr			10	
Total excise, RYO (RON/kg)				
2024 Jan	591.25	591.25	591.25	591.25
2025 Apr	606.00	606.00	606.00	606.00
2025 Aug	606.00	620.00	666.60	666.60
2026 Apr	634.00	634.00	666.60	766.59
2027 Apr	634.00	634.00	666.60	804.92
Total excise, HTP (RON/kg)				
2024 Jan	1094.93	1094.93	1094.93	1094.93
2025 Apr	1146.62	1146.62	1146.62	1146.62
2025 Aug	1146.62	1172.45	1261.28	1261.28
2026 Apr	1198.28	1198.28	1261.28	1450.47
2027 Apr	1198.28	1198.28	1261.28	1523.00
VAT				
pre 2025 Aug	19	19	19	19
2025 Aug	19	21	21	21

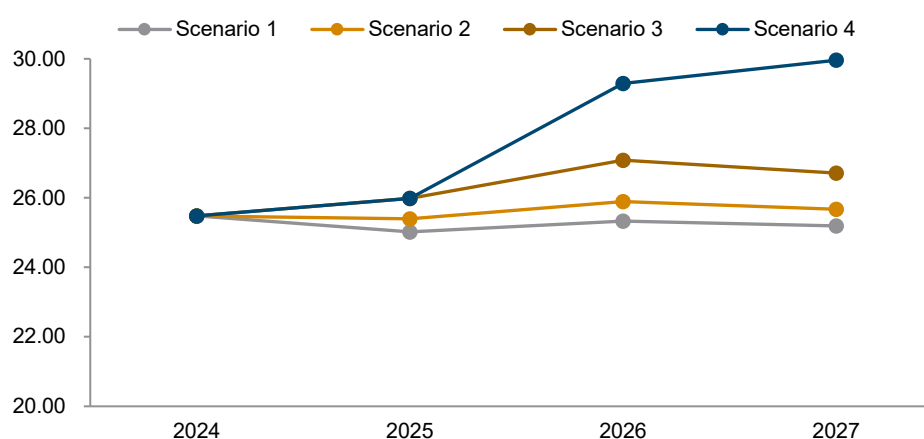
Source: Legea no. 296/2023, Legea no. 115/2023, Amendments to Legea no. 227/2015 on the Fiscal Code by Legea no. 141/2025, and own assumptions. *Ad valorem excise was 12% between April 2023 and March 2024.

Figure 2 / Increases in cigarettes' minimum excise duty, by scenario

Source: Legea no. 296/2023, Legea no. 115/2023, Amendments to Legea no. 227/2015 on the Fiscal Code by Legea no. 141/2025, and own assumptions.

3.3. Simulation results

This section presents the results of the simulations. We start by showing the impact of tax increases on prices and consumption, followed by the impact on tax revenues. Finally, we show the likely health impact. The detailed results from all scenarios are included in Table 4 at the end of the section.

Figure 3 / Weighted average price for a pack of cigarettes (RON, real values)

Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

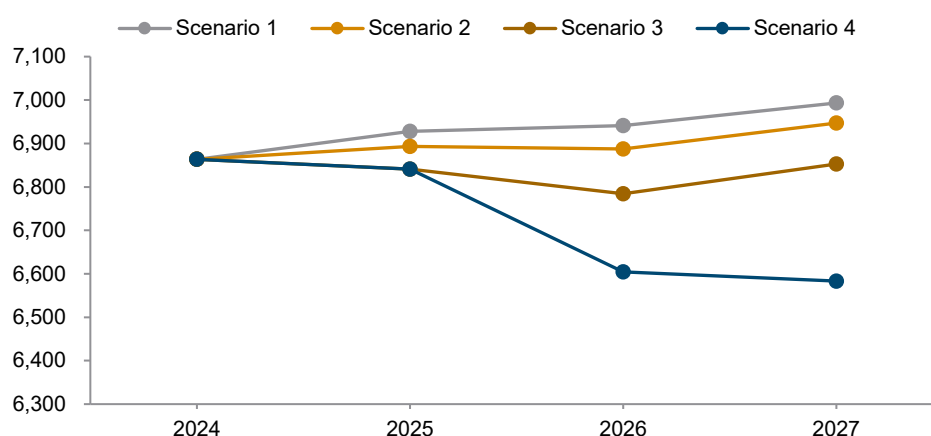
Source: Own calculations, based on the data described in Sections 3.1-3.2.

Figure 3 presents the weighted average price (WAP) of cigarettes. It shows that price increases prompted by tax increases under both the old and the currently adjusted tax calendars (Scenarios 1 and 2) are insufficient to counter the effects of projected inflation in 2025: the real WAP falls below its 2024 level. The impact of the current adjustment is limited in 2025, as it applies only from August onwards, but increased VAT contributes to a slight improvement in 2026 and 2027. However,

meaningful price increases can only be achieved through higher tax increases (as illustrated in Scenarios 3 and 4).

How this translates to changes in consumption can be seen in Figures 4 and 5, which present yearly consumption of the average smoker and tobacco use prevalence rates, respectively. These show that, as price increases fail to keep up with inflation and income growth, consumption and prevalence rise. This can be seen in Scenarios 1 and 2 throughout the entire period, and also in Scenario 3 in 2027, when no excise increase is planned. By contrast, only Scenario 4 – in line with its price increases – achieves a substantial reduction in consumption, with tobacco use prevalence declining to 26.4% by 2027.

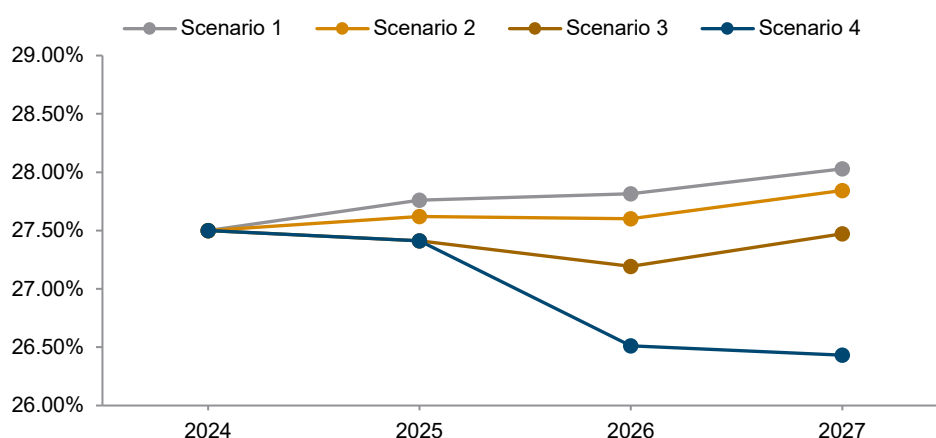
Figure 4 / Tobacco products per smoker (sticks per year)



Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

Source: Own calculations, based on the data described in Sections 3.1-3.2.

Figure 5 / Smoking prevalence (%)



Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

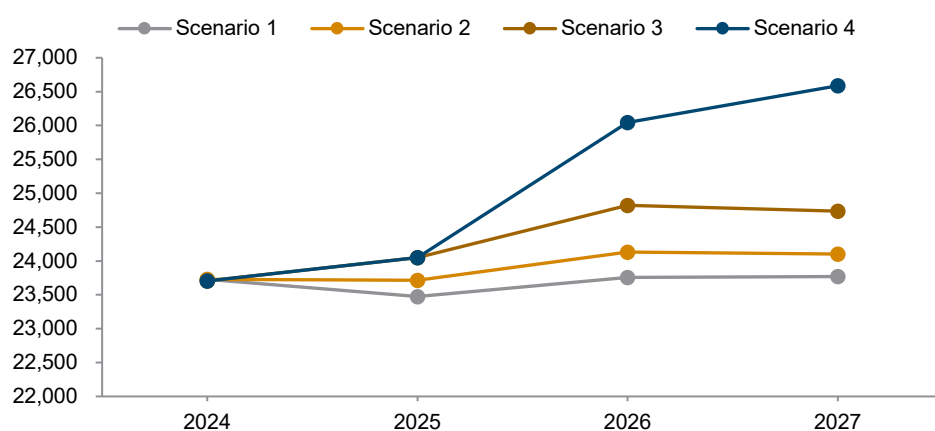
Source: Own calculations, based on the data described in Sections 3.1-3.2.

Figure 6 presents total tax revenues, including excises and VAT, collected from tobacco products. In 2025, despite a slight increase in consumption, inflation-adjusted revenues are predicted to stagnate (Scenario 2). However, the excise and VAT increases introduced in August help to mitigate the losses that would have occurred without the adjustment (Scenario 1): tax revenues increase by RON 240m (+1%)⁵ in 2025. In subsequent years, the additional tax revenue grows to RON 375m in 2026 (+1.6%) and RON 333m in 2027 (+1.4%). Note that these gains are almost entirely attributable to the VAT increase; excise revenues decline relative to the old calendar (Table 4).

By contrast, if the government had implemented a 10% excise increase (as for other excise goods), alongside the VAT rise, real total revenues would have increased more substantially relative to the old calendar: by RON 575m in 2025 (+2.4%), RON 1.065bn in 2026 (+4.5%) and RON 965m in 2027 (+4.1%). This difference means that by raising excises by only 2.25% instead of 10% in August 2025, the government is forgoing RON 335m in revenue in 2025, RON 690m in 2026 and RON 632m in 2027 – a cumulative shortfall of RON 1.657bn (approximately EUR 326.6m).

Finally, implementing further increases in line with the EU TTD (Scenario 4) would result in additional tax revenue of RON 4.73bn (EUR 932m) over the three-year period relative to the current calendar (Scenario 2): RON 335m in 2025, RON 1.9bn in 2026 and RON 2.48bn in 2027.

Figure 6 / Total tax revenues (RON m, real values)



Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

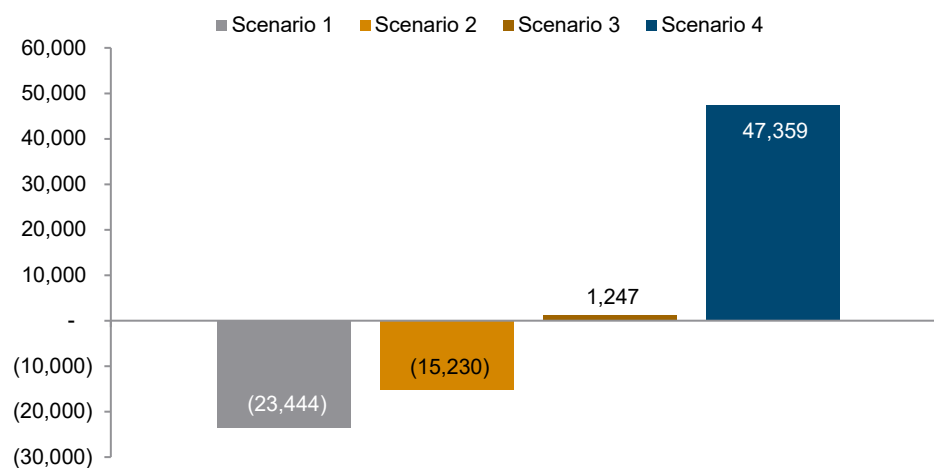
Source: Own calculations, based on the data described in Sections 3.1-3.2.

Lastly, changes in consumption also translate into health outcomes as shown in Figure 7, which presents the number of premature deaths averted. When smoking intensity and prevalence decline, more smoking-related premature deaths are prevented. Corresponding to the stagnating or rising consumption of tobacco products, measures in Scenarios 1 and 2 do not translate to health gains – relative to no change in smoking prevalence, the number of smoking-related premature deaths increases. Scenario 3 translates to limited health effects by averting slightly more than 1,000 premature deaths. In line with the other results,

⁵ Percentage increases shown in parentheses in this paragraph correspond to the increase of revenues in a given year relative to the predicted revenues under the old schedule (Scenario 1).

the only meaningful health benefits are predicted with the proposed excise increases of Scenario 4, with nearly 50,000 premature deaths averted over the modelled four-year period.

Figure 7 / Four-year cumulative number of premature deaths averted



Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

Source: Own calculations, based on the data described in Sections 3.1-3.2.

Table 4 / Summary table

Scenario 1										
Year	Total tax revenues		Total excise revenues		Weighted average price (all tobacco products)	Per capita consumption of tobacco products		Smoking prevalence	Number of smokers	
	RON million, inflation adjusted	cumulative change, %	RON million, inflation adjusted	cumulative change, %	RON, inflation adjusted	cigarettes per year	cumulative change, %	%	people	cumulative change, %
2024	23,727		18,126		25.48	1,887		27.50	4,063,777	
2025	23,475	-1.1	17,860	-1.5	25.02	1,923	1.9	27.76	4,102,248	0.9
2026	23,757	0.1	18,060	-0.4	25.33	1,931	2.3	27.82	4,110,366	1.1
2027	23,770	0.2	18,015	-0.6	25.19	1,960	3.9	28.03	4,141,925	1.9

Scenario 2										
Year	Total tax revenues		Total excise revenues		Weighted average price (all tobacco products)	Per capita consumption of tobacco products		Smoking prevalence	Number of smokers	
	RON million, inflation adjusted	cumulative change, %	RON million, inflation adjusted	cumulative change, %	RON, inflation adjusted	cigarettes per year	cumulative change, %	%	people	cumulative change, %
2024	23,727		18,126		25.48	1,887		27.50	4,063,777	
2025	23,715	0.0	17,872	-1.4	25.40	1,904	0.9	27.62	4,081,626	0.4
2026	24,132	1.8	17,901	-1.2	25.89	1,901	0.7	27.60	4,078,545	0.4
2027	24,103	1.7	17,814	-1.7	25.67	1,934	2.5	27.84	4,114,545	1.2

Scenario 3										
Year	Total tax revenues		Total excise revenues		Weighted average price (all tobacco products)	Per capita consumption of tobacco products		Smoking prevalence	Number of smokers	
	RON million, inflation adjusted	cumulative change, %	RON million, inflation adjusted	cumulative change, %	RON, inflation adjusted	cigarettes per year	cumulative change, %	%	people	cumulative change, %
2024	23,705		18,126		25.48	1,887		27.50	4,063,777	
2025	24,050	1.5	18,194	0.4	25.99	1,875	-0.6	27.41	4,050,861	-0.3
2026	24,821	4.7	18,539	2.3	27.08	1,845	-2.3	27.19	4,018,443	-1.1
2027	24,735	4.3	18,401	1.5	26.71	1,883	-0.3	27.47	4,059,622	-0.1

Scenario 4										
Year	Total tax revenues		Total excise revenues		Weighted average price (all tobacco products)	Per capita consumption of tobacco products		Smoking prevalence	Number of smokers	
	RON million, inflation adjusted	cumulative change, %	RON million, inflation adjusted	cumulative change, %	RON, inflation adjusted	cigarettes per year	cumulative change, %	%	people	cumulative change, %
2024	23,705		18,126		25.48	1,887		27.50	4,063,777	
2025	24,050	1.5	18,193	0.4	25.99	1,875	-0.6	27.41	4,050,862	-0.3
2026	26,043	9.9	19,625	8.3	29.29	1,751	-7.2	26.51	3,917,799	-3.6
2027	26,587	12.2	20,051	10.6	29.96	1,740	-7.8	26.43	3,905,913	-3.9

Note: Scenario 1 – old calendar; Scenario 2 – August 2025 increase; Scenario 3 – 10% increase in August 2025; Scenario 4 – accelerated schedule (10% in August 2025, 10% in 2026, 5% in 2027).

Source: Own calculations, based on the data described in Sections 3.1-3.2.

4. CONCLUSION

Romania adopted excise increases for tobacco products in August 2025, but on a much smaller scale than initially implied by government communications and reported in the media, and of a lesser magnitude than the increases applied to other excisable products. Although for alcohol and fuel a new excise calendar was introduced that also modifies the rates planned for 2026, the measure for tobacco products includes only an interim adjustment, leaving the 2026 plans unchanged. Such deviation points to a preferential treatment of the tobacco industry and represents a missed opportunity, given the ongoing revision of the EU TTD which – once adopted – is likely to require Romania to implement substantial increases in tobacco taxes by 2028.

Our analysis demonstrates the fiscal and public health losses related to such preferential treatment. A 10% increase in August 2025 would have generated an additional RON 335m in tax revenues in the first year, with the figure exceeding RON 600m in each of 2026 and 2027, relative to the approximately 2.25% excise increases implemented in August 2025 and in 2026. A higher tax increase in August 2025 would have reduced smoking prevalence and prevented smoking-related deaths. The implemented tax increase is insufficient to do so, as it does not prevent cigarette affordability from rising.

The only way to achieve meaningful public health gains is to implement sustained excise increases that outpace both inflation and income growth. Our proposed excise calendar (Scenario 4) – with a 10% increase in 2025, followed by 15% and 5% increases in 2026 and 2027 – would raise an additional RON 4.73bn (EUR 932m) in tax revenue compared with the current tax calendar, reduce smoking prevalence by 4% (to 26.4%) by 2027, and avert nearly 50,000 premature deaths over four years. In the context of the fiscal deficit, while additional tobacco tax revenues in 2025 will contribute only modestly to deficit reduction, under Scenario 4 the annual additional revenue would cover around 10–15% of the planned deficit reduction (approximately RON 15 bn) in 2026. Importantly, in the current fiscal environment, measures that also deliver public health benefits are especially valuable.

Importantly, such an accelerated schedule would also ensure that Romania is well placed to comply with the upcoming changes to the EU TTD. The European Commission's current proposal calls for a new EU-wide minimum of EUR 215 per 1,000 cigarette sticks, with adjustments according to member states' purchasing power (PPP) (EC, 2025). For Romania, this would translate to a minimum tax of EUR 186 per 1,000 cigarettes to be reached by 2028, assuming the current level of PPP. By reaching total excise of RON 913.8 (EUR 178.5) per 1,000 cigarettes, our proposal (Scenario 4) would put Romania in a good position to comply with the EU TTD, which is expected to enter into force in 2028. Even a 10% increase in August 2025 would have ensured partial progress, but as it currently stands, the country will face a substantial, one-time adjustment of around 32% in 2028 to meet the new EU minimum.

Overall, sustained excise increases in the coming years are the only way to ensure both fiscal stability and public health progress, while also facilitating a smoother transition to the proposed EU TTD.

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