

## POLICY RECOMMENDATIONS

1. **Excise Tax Reform:** Accelerate excise increases to meet EU averages and ensure that tax rates keep pace with rising incomes and inflation.
2. **Strengthening Enforcement:** Bolster enforcement of existing tobacco control laws, particularly sales restrictions to minors and public smoking bans.
3. **Public Awareness Campaigns:** Launch targeted campaigns to educate the public on the harm of tobacco, including alternative products.
4. **Youth Protection Measures:** Intensify efforts to prevent youth access and sales to all forms of tobacco and nicotine products.
5. **Illicit Trade Reduction:** Enhance border controls, increase penalties for illicit trade, and leverage technology for better market monitoring.

## Most important findings

Serbia has one of the highest smoking prevalence rates in Europe, with 37% of adults smoking regularly. While cigarette consumption has declined over the past decade, alternative tobacco products have surged in popularity. Heated tobacco products and electronic cigarettes now occupy 5.56% and 4.01% of the market respectively. Younger populations, particularly those aged 18–24, are driving the demand for these alternatives. Hookah use is also notable, with nearly 11% of adults having tried it at least once.

Cigarette sales decreased from 655 million packs (93.8 per capita) in 2018 to 597 million packs (90.1 per capita) in 2023, but the total sales value rose due to price increases driven by higher excise duties. Hand-rolled tobacco sales have grown significantly, both in legal and illicit markets. The illicit share of hand-rolled tobacco exceeds 90%, creating enforcement challenges.

Serbia's excise tax policy has seen gradual adjustments to reduce cigarette affordability. Excise rates increased from €0.57 per pack in 2018 to €0.85 per pack in 2024. However, the total excise burden of €93.25 per 1,000

cigarettes remains below the EU average, requiring further alignment. Recent reforms include the implementation of an e-excise system to improve tracking and reduce illicit trade. Excise stamps with QR codes will be mandatory starting in 2025, enabling enhanced traceability.

Excise revenues from tobacco products reached €1.08 billion in 2023, reflecting consistent growth since 2005. Tobacco taxation is a vital fiscal tool, but much of its impact has been eroded by rising real incomes making cigarettes more affordable.

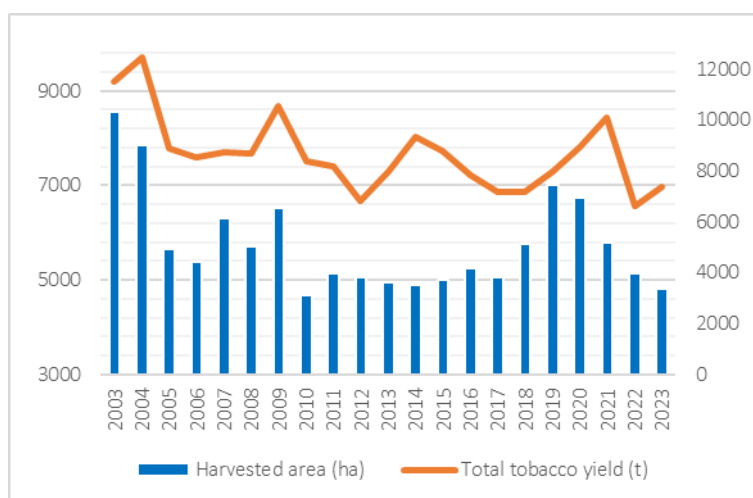
Tobacco use in Serbia represents a significant public health and economic challenge. Approximately 19,800 annual deaths are attributed to tobacco-related illnesses, accounting for 20% of all deaths in the country. This stark figure, coupled with an economic burden equivalent to 4.9% of Serbia's GDP (€2.3 billion annually), highlights the urgency of comprehensive policy interventions. Serbia's adoption of seven WHO FCTC tobacco control measures could prevent 72,600 deaths and avert €5.5 billion in health-related costs and economic losses by 2035.

## Acknowledgements

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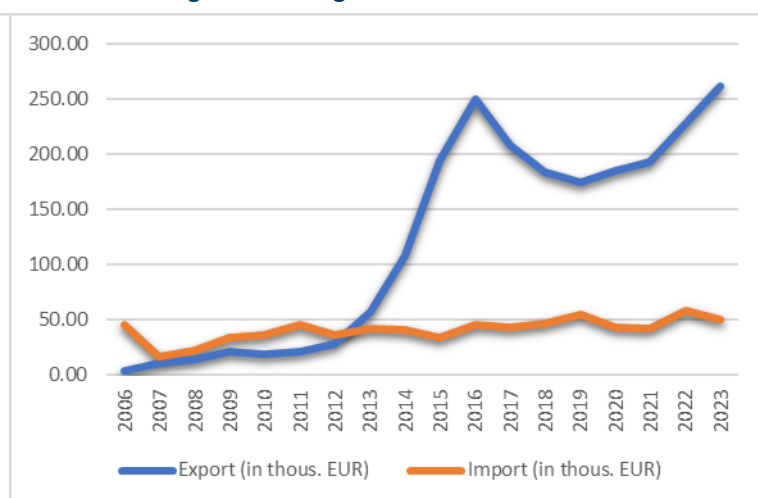


Tobacco farming in Serbia 2003-2023



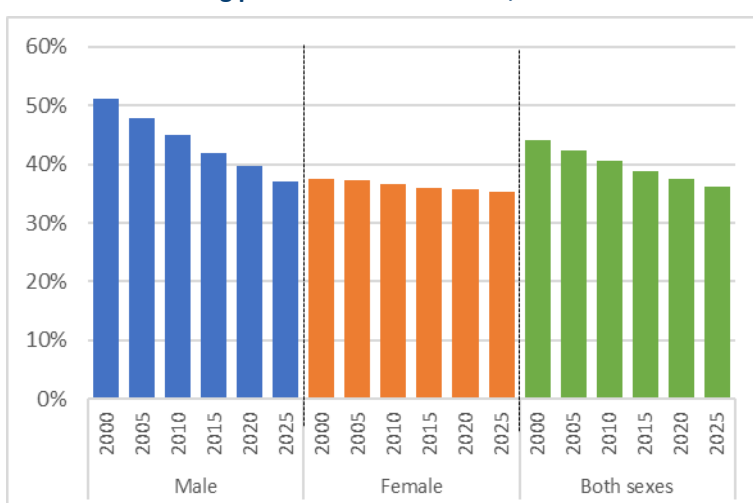
Source: Serbian Statistical Office, 2024

Foreign trade of cigarettes in Serbia 2006-2023



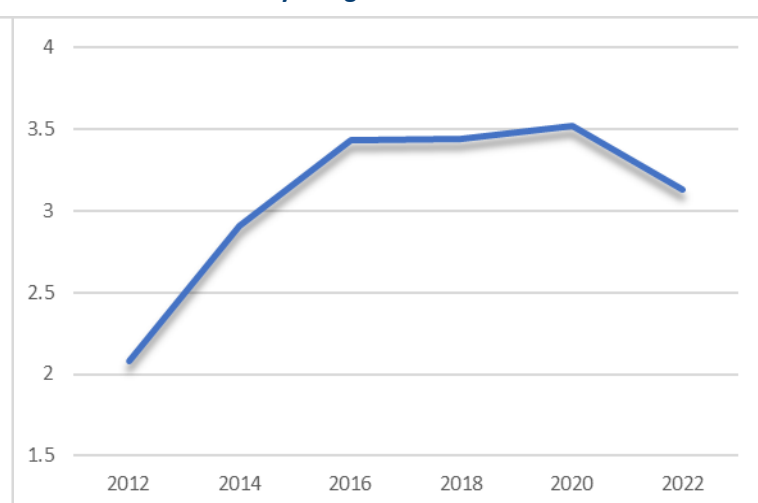
Source: Serbian Statistical Office, 2024

Smoking prevalence 15+ in Serbia, 2000-2025



Source: WHO global report on trends in prevalence of tobacco use 2000-2025

RIP affordability of cigarettes in Serbia 2012-2022



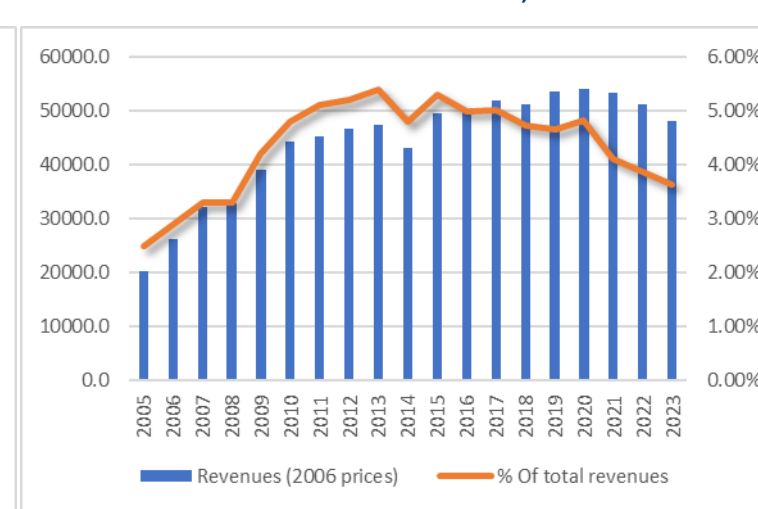
Source: WHO, Global Health Observatory data repository, 2024

Heated tobacco products sales in Serbia 2018-2023



Source: Tobacco administration, 2024.

Tobacco excise revenues in Serbia, 2005-2023



Source: Own calculations based on Ministry of Finance of Serbia, 2024

