

## **Tobacco taxation in Eastern Europe**

# **Landscape Study - SERBIA**

***Authors** - This Study has been prepared by the research team of the Institute of Economic Sciences: Valentina Vukmirović, Olivera Jovanović, Jovan Zubović*



**INSTITUTE OF ECONOMIC SCIENCES, BELGRADE, SERBIA**

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## EXECUTIVE SUMMARY

This report provides a detailed analysis of the tobacco market in Serbia and updates the findings of the groundbreaking 2018 study by the Institute of Economic Sciences. Tobacco consumption in Serbia poses a major challenge to public health and the economy. Approximately 19,800 annual deaths are attributed to tobacco-related diseases, accounting for 20% of all deaths in the country. This drastic figure, combined with an economic burden equivalent to 4.9% of Serbia's GDP (EUR 2.3 billion annually), highlights the urgency of comprehensive policy interventions. Adopting seven key tobacco control measures in Serbia could prevent 72,600 deaths and avert EUR 5.5 billion in health-related costs and economic losses by 2035, bringing the country in line with global standards such as the WHO Framework Convention on Tobacco Control (FCTC).

### *Economic Context and Tobacco Supply*

The Serbian economy is characterized by steady growth and significant foreign investment, with the manufacturing and export sectors playing an important role. The tobacco sector continues to make an important contribution to the Serbian economy. Cigarette production has stabilized at 35 billion sticks per year. Most of these products are exported, reflecting the dominance of multinationals such as Philip Morris International (PMI) and Japan Tobacco International (JTI). However, the sector's contribution to employment is minimal, accounting for only 0.06% of total employment. Advances in automation and the high efficiency of production facilities have reduced the demand for labor.

Serbia remains a significant exporter of tobacco products, with the export value increasing from EUR 236.5 million in 2018 to EUR 429.3 million in 2022. Imports of certain tobacco products have increased, driven by consumer demand for high-quality and novelty tobacco products, including heated tobacco and cigars.

Tobacco cultivation in Serbia has declined, partly due to the abolition of subsidies to align with EU standards. From 2013 to 2023, the number of tobacco farmers fell from 1,782 to 704.

### *Demand and Consumption Trends*

Serbia has one of the highest prevalence rates in Europe, with 37% of adults smoking regularly. While cigarette consumption has declined over the last decade, alternative tobacco products have become increasingly popular. Heated tobacco products and electronic cigarettes now account for 5.56% and 4.01% of the market respectively. Younger people, particularly those aged 18–24, are driving demand for these alternatives. The consumption of water pipes is also noteworthy: almost 11% of adults have tried them at least once.

Sales of cigarettes declined from 655 million packs in 2018 to 597 million packs in 2023, but the total sales value increased due to price increases from higher excise taxes. The sales of hand rolled tobacco have increased significantly in both the legal

and illegal markets. The legal share of roll-your-own tobacco is now at 5%, while the illegal share is over 90%, leading to enforcement challenges.

### *Illicit Trade and Market Dynamics*

Illicit trade is still a problem, especially in hand rolled tobacco. Despite efforts to curb the illicit cigarette market, the flourishing illicit trade in hand-rolled tobacco has shifted market dynamics. This undermines public health objectives and affects government excise revenues. The robust demand for alternative products such as heated tobacco reflects changing consumer preferences and increased marketing by multinational corporations. Heated tobacco now accounts for a growing share of the legal market due to perceptions of reduced harmfulness and aggressive marketing campaigns.

### *Tobacco Control Policies and Legislative Updates*

Serbian excise tax policy has undergone gradual adjustments to make cigarettes more affordable. Excise tax rates have increased from EUR 0.57 per pack in 2018 to EUR 0.85 per pack in 2024. However, the total excise tax burden of EUR 93.25 per 1,000 cigarettes remains below the EU average, so further alignment is needed. Recent reforms include the introduction of an e-excise system to improve tracking and tracing and reduce illicit trade. Excise stamps with QR codes will be mandatory from 2025 and will enable better traceability.

Non-price measures include restrictions on smoking in public places, although enforcement remains inadequate. A proposed complete ban on smoking in public places, including restaurants and cafes, has yet to be approved by politicians. Youth access to tobacco remains a major problem. Studies have shown that over 80% of minors who tried to buy cigarettes were not refused despite legal bans.

### *Economic Contributions and Challenges*

Excise tax revenue from tobacco products reached EUR 1.08 billion in 2023, reflecting steady growth since 2005. Tobacco tax is an important fiscal instrument, but affordability remains a problem. Serbia scores poorly on the Tobacconomics Cigarette Tax Scorecard with a rating of 2.5 out of 5, down from 3.63 in 2020. Affordability metrics show that rising incomes are outpacing excise tax increases, necessitating stronger tax policy measures.

Alternative tobacco products, including heated tobacco and nicotine pouches, are increasingly taxed. The excise tax on heated tobacco is set to match the excise tax rates on cigarettes by 2025. Nicotine pouches have been included in the excise duty system in 2024, reflecting the increasing regulatory focus on novel products.

### *Recommendations for Policy Improvements*

To address the public health and economic impacts of tobacco use, the report recommends:

1. **Strengthening Enforcement:** Bolster enforcement of existing tobacco control laws, particularly sales restrictions to minors and public smoking bans.
2. **Excise Tax Reform:** Accelerate excise increases to meet EU standards and ensure that tax rates keep pace with rising incomes.
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 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.

## 1. INTRODUCTION

The first national study on the economics of tobacco and tobacco taxation in Serbia, published by the Institute of Economic Sciences in 2018, was an important contribution to a better understanding of the tobacco economics in Serbia. As the first comprehensive study of its kind in Serbia, it provided an in-depth analysis of the supply and demand dynamics of tobacco products, examined tobacco taxation and pricing policies, and investigated the price elasticity of tobacco products. The study provided important insights that significantly improved the understanding of the economics of tobacco control in Serbia and serves as an important resource for researchers, policy makers and various stakeholders involved in tobacco regulation.

The impact of tobacco use in Serbia is both alarming and significant. According to recent estimates, around 19,800 people die each year from tobacco-related diseases, accounting for almost 20% of all deaths in the country – more than double the global average. This staggering mortality rate underscores the severe public health crisis that tobacco consumption represents. In addition, the economic burden of tobacco-related diseases in 2021 is significant: it costs Serbia RSD 269 billion (EUR2.3 billion) annually, equivalent to 4.9% of the country's GDP (UNDP, 2024). These figures highlight the need for a comprehensive study of the scale and complexity of the impact of tobacco consumption. Raising awareness of these statistics is crucial to promoting a deeper understanding of the issue and encourage policy makers to adopt evidence-based strategies that are in line with global tobacco control frameworks, such as the WHO Framework Convention on Tobacco Control (WHO FCTC). By implementing seven key tobacco control measures, Serbia could prevent at least 72,600 deaths and avert RSD 642 billion (EUR 5.5 billion) in health-related costs and economic losses by 2035. This proactive approach is essential to protect public health and reduce the economic burden of tobacco use (UNDP, 2024).

Building on the foundation of the 2018 report, this study provides an updated and comprehensive analysis of the tobacco market in Serbia in 2024, reflecting the significant developments that have occurred since 2018, including changes in the tobacco market landscape, legislative changes and adjustments in excise tax policies. The analysis covers the evolving patterns in the demand and supply of tobacco products and provides a nuanced understanding of how these dynamics have changed over time. In addition to these recent developments, the study also considers longer-term trends, providing valuable context for understanding patterns that predate 2018. Most importantly, cigarette manufacturing remains at a high level, at around 35 billion sticks annually. At the same time, export markets are the main destination for sales of these products. Due to inflation and income growth, which is higher than price growth, the prevalence rate in Serbia will reverse from 2020 after 20 years of constant decline. Law enforcement is questionable, especially regarding sales to minors. The presence of the illicit trade in hand rolled tobacco diminished the efforts of policy makers to reduce the share of illicit cigarettes to 2%, as hand rolled illicit share exceeds 90%. This led to a change in the market structure, as the sale of hand-rolled tobacco increased significantly. The legal market share of hand-rolled tobacco reached 5 %, while the illegal share is over 10 %. At the same time, the share of heated products reached 5% of the total tobacco market.

An important feature of this updated study is the examination of hand-rolled tobacco, alternative tobacco and nicotine products, some of which are new to the Serbian market. This emergence is leading to changes in legislation and makes the study's findings on the evolving tobacco landscape particularly valuable. By presenting these updates and new data, this study aims to provide stakeholders with an up-to-date and comprehensive overview of the tobacco market and its regulatory environment, enabling a deeper understanding of the dynamics at play in ongoing tobacco control efforts.

The report begins with a macroeconomic outlook in Serbia, which provides a concise overview of the country's economic environment. It then examines the supply of tobacco products in Serbia, presenting data on tobacco cultivation, tobacco product manufacturing, foreign trade and employment in the sector. The following sections analyze the demand for tobacco products in Serbia, including the prevalence of smoking and tobacco consumption patterns. The report also looks at excise taxes on tobacco products and legislative updates, detailing the current tax structure and recent changes to tobacco-related legislation. Finally, the report examines illicit production and trade in Serbia and provides estimates and insights into the scale and impact of illicit tobacco activity.



## 2. SERBIA'S ECONOMIC OUTLOOK

Serbia's recent history is characterized by a series of comprehensive economic reforms aimed at aligning the country's structural and institutional framework with international standards, reflecting the country's aspirations for accession to the European Union. These reforms have improved the country's macroeconomic situation by helping to increase real GDP, exports, imports and foreign direct investment inflows, while reducing unemployment.

The World Bank classifies Serbia as a middle-income economy. The country's economy relies heavily on manufacturing and exports, supported by foreign investment. Since 2007, Serbia has attracted more than 46 billion euros in foreign direct investment and in 2020 was the world's leading country in terms of the number of jobs created by direct investment per million inhabitants (RAS, 2024). Looking at all countries within the SEE region, Serbia was the largest recipient of foreign investment in 2022 with inflows of USD 4.65 billion (UNCTAD, 2023). The largest foreign investor in Serbia, both in terms of number and value of projects, was Germany, while the five most attractive sectors in terms of number of projects were the automotive sector (17.0%), agriculture, food and beverages (15.2%), textiles and clothing (7.5%), electrical and electronics (6.2%) and construction (5.0%) (RAS, 2024).

According to Eurostat data, Serbia ranks 26th out of 39 countries in terms of GDP in 2023, outperforming other countries in the Western Balkans. The Serbian economy is forecast to grow by 3.6% in 2024, followed by constant annual growth of between 4% and 5% in 2025 and 2026 in line with the new investment cycle. This development will be favored by an increase in consumption and investment as well as continued strong export performance. In addition, foreign direct investment is expected to remain an important source of financing (National Bank of Serbia, 2024).

The following table shows the country's key macroeconomic indicators for the period from 2018 to 2023 and provides an overview of GDP growth and the development of inflation and employment (Table 1).

In terms of real GDP growth, Serbia recorded steady expansion in 2018 and 2019 with growth rates of 4.5 % and 4.3 % respectively, indicating a healthy economic performance. However, the outbreak of the global COVID-19 pandemic in 2020 brought significant challenges and led to a decline of -0.9% as the economy struggled with disruptions in production and trade. Despite these challenges, Serbia proved resilient in 2021 and recorded real GDP growth of 7.7%, indicating a robust recovery. However, this momentum weakened in the following years and stabilized at 2.5% in 2022 and 2023, indicating a consolidation phase after the rapid recovery phase.

According to data from the Statistical Office of the Republic of Serbia for 2023, Serbia's GDP reached EUR 71.2 billion at current prices. This corresponds to a remarkable increase of 18.2% in nominal terms and 3.8% in real terms compared to the previous year. In 2023, notable contributions to Serbia's GDP were observed in the following sectors: manufacturing accounted for 13.3% of GDP creation, followed by wholesale and retail trade, including repair of motor vehicles, with 10.4% and the IT sector with 8.2%.

*Table 1 Serbia – Main macroeconomic indicators*

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Population (estimates)	6,982,604	6,945,235	6,899,126	6,834,326	6,664,449	6,623,183
GDP (total, EUR million)	42,892.2	45,970.4	46,815.3	53,345.3	60,426.5	69,513.0
GDP per capita (EUR)	6,143	6,619	6,786	7,806	9,067	10,497
Real GDP growth rate (%)	4.5	4.3	-0.9	7.7	2.5	2.5
Inflation rate	2.0	1.9	1.8	4.0	11.7	12.1
Unemployment rate (Population aged 15+, %)	12.7	10.4	9.7	11.0	9.5	9.4
Average salaries and wages, net (EUR)*	419,8	466,1	510,9	560,2	637,9	733,5
Employment (Population aged 15+, thousand)	2,832.9	2,901.0	2,776.7	2,848.8	2,818.5	2,842.0

Source: Eurostat, 2024; Statistical Office of the Republic of Serbia, 2023

\*Authors' calculation based on the RSD amounts and the exchange rate of RSD against the EUR (average over the period)

Inflationary pressures proved remarkably worrying during this period as consumer prices were subject to volatility. While inflation remained relatively stable in the period before the current crisis and was around 2% in 2018-2020, an increase to 11.7% and 12.1% were observed in 2022 and 2023 respectively. Inflation has been falling since April 2023 and has slowed by a further 3.8 percentage points since the beginning of 2024.

Serbia's exports and imports grew in the period 2018-2023. Exports started at EUR 21,166 million in 2018 and rose steadily to EUR 41,009 million by 2023. Similarly, imports increased from EUR 25,257 million in 2018 to EUR 44,596 million in 2023. Growth rates fluctuated from year to year but remained positive overall. Compared to the previous year, there were notable growth spurts in both exports (31.9%) and imports (34.7%) in 2022. Despite occasional declines, such as the 4.6% fall in export growth and 5.7% fall in import growth in 2020 compared to the previous year, the general trend points to growing trade activity. However, the trade balance remained a persistent challenge, as imports were consistently higher than exports.

In terms of labor market dynamics, Serbia recorded a gradual decline in the unemployment rate in the population aged 15 years and older, from 12.7% in 2018 to 9.4% in 2023. For the period January-April 2024, real year-on-year growth in net wages was 9.0%. The average wage amounted to RSD 95,873 (EUR 818), with the average wage in the public sector at RSD 100,039 (EUR 854) higher than in the private sector at RSD 94,192 (EUR 804). In the observed period, the average nominal net wage increased by 15.0% year-on-year, with similar growth in both sectors (National Bank of Serbia, 2024).

In terms of labor market dynamics, Serbia recorded a gradual decline in the unemployment rate among the population aged 15 and older, from 12.7% in 2018 to 9.4% in 2023. For the period January-April 2024, real year-on-year growth in net wages amounted to 9.0%. The average wage amounted to RSD 95,873 (EUR 818), with the average wage in the public sector higher at RSD 100,039 (EUR 854) than in the private sector at RSD 94,192 (EUR 804). In the period under review, the average nominal net wage increased by 15.0% compared to the previous year, with growth being similar in both sectors. Furthermore, the average net wage increased from EUR 419.8 in 2018 to EUR 733.5 in 2023, indicating an upward trend in income levels over the observed period. Table 2 shows nominal and real wages over the observed period.

*Table 2 Average nominal and real net wages in Serbia, 2018-2023*

<b>Year</b>	<b>Average nominal net wage in Serbia (in RSD)</b>	<b>Average net wage in Serbia adjusted for inflation (in 2023 RSD prices)</b>
<b>2018</b>	49,650	65,544
<b>2019</b>	54,919	71,055
<b>2020</b>	60,073	76,166
<b>2021</b>	65,864	82,558
<b>2022</b>	74,933	86,753
<b>2023</b>	86,007	86,007

Source: Statistical Office of the Republic of Serbia, 2024; Authors' calculation

According to the National Bank of Serbia, the inflow of foreign direct investment to Serbia amounted to EUR 4,522 million in 2023, which corresponds to growth of 2.0% compared to 2022.

The latest available data by country, referring to the first three quarters of 2023, shows that the largest inflow of foreign direct investment to Serbia was recorded from European (68.1%) and Asian countries (30.2%). In terms of countries, the largest foreign direct investments in Serbia in the first three quarters of 2023 came from China (EUR 818.4 million), the Netherlands (EUR 622.5 million), the United Kingdom (EUR 217.4 million), Austria (EUR 215.9 million) and Germany (EUR 158.6 million). The largest share of investment flows into the tradable sectors (59.8%), especially manufacturing (29.0%), mining (11.2%) and professional and technical activities (9.3%).

### **3. SUPPLY OF TOBACCO PRODUCTS IN SERBIA**

This section examines the main factors influencing the supply side of tobacco products, including an analysis of supply-side actors such as tobacco farmers and manufacturers. It also examines topics such as leaf tobacco production, industry trends in tobacco product manufacturing, export and import activities, and employment in the tobacco growing and manufacturing sectors. Overall, tobacco cultivation has continued to decline and now only accounts for a small proportion of agriculture. Tobacco production increased until 2015 and remained at the level of 35 billion sticks, which is mainly due to growing exports. However, this was not accompanied by an increase in employment in this sector.

#### **3.1 Development of tobacco taxation in Serbia**

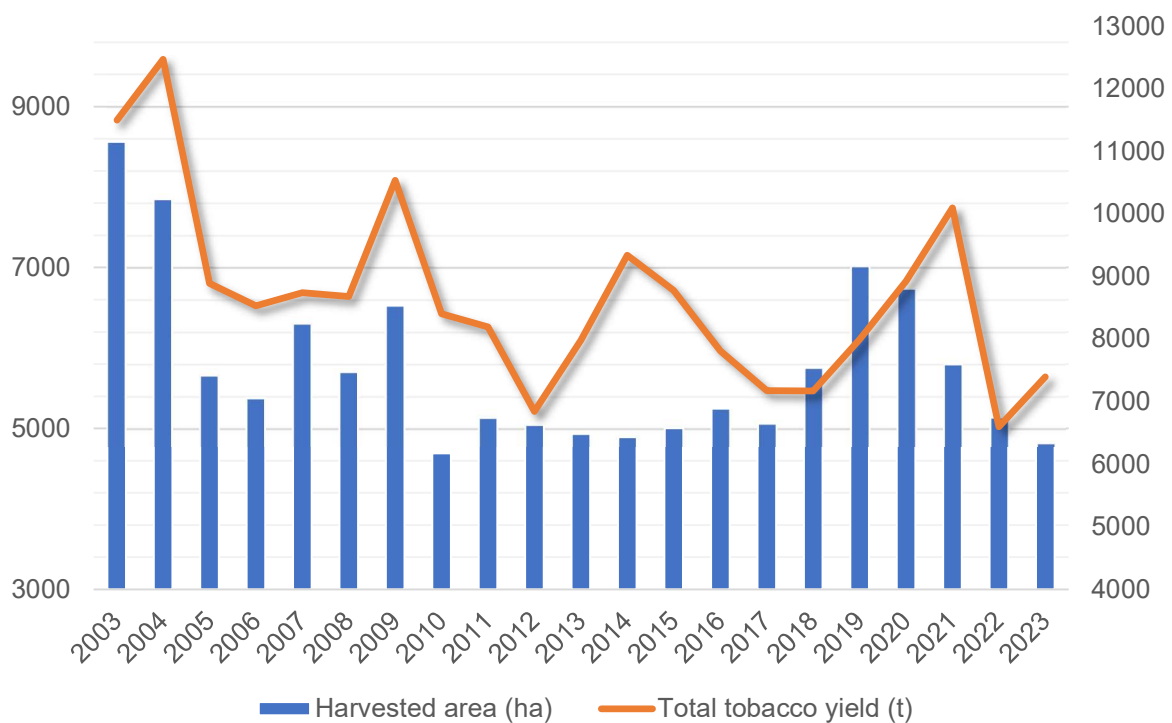
Tobacco probably arrived in Serbia during the Ottoman rule, and by 1611 it had spread to all provinces. The authorities soon tried to curb tobacco consumption through strict prohibitions and even imposed death penalties. As these efforts proved ineffective, the state changed its approach in the mid-17th century and decided to tax tobacco (Mijatović, 2006), introducing the state monopoly.

Tobacco production expanded under the state monopoly, with profits making up a considerable part of the Serbian budget: in 1888 the share was 7.0%, in 1896 13.3% and in 1900 16.0%. Production was first expanded in the Vranje region, and later, at the turn of the 20th century, production also increased in the Niš region (Mijatović, 2006). The tobacco industry in both regions was state-owned until 2003, when British American Tobacco (BAT) "Duvanska Industrija" Vranje and Phillip Morris International (PMI) took over the largest tobacco factory in Serbia, "Fabrika duvana" a.d. Niš

#### **3.2 Tobacco growing in Serbia today**

Today, tobacco cultivation accounts for only a small part of Serbia's agricultural production. Nevertheless, the country is still one of the 50 largest tobacco growers in the world and, according to FAOSTAT, ranks 42nd in 2021. The three most important tobacco producing countries in terms of acreage are China (1,014,553 ha), India (431,146 ha) and Brazil (357,230 ha). In the European region, Turkey has the largest tobacco-growing area with 83,166 ha, followed by North Macedonia with 16,617 ha (WHO, 2023). In the EU, Italy, Spain, Poland, Greece, Croatia, France, Hungary and Bulgaria dominate tobacco production and account for 99% of total production. However, the area under tobacco cultivation is shrinking, mainly due to the declining demand for tobacco products (European Commission). As can be seen in Figure 1, the area under tobacco cultivation declined steadily and significantly between 2003 and 2006. Since 2006, tobacco cultivation in Serbia has remained at a stable level of just over 5,300 ha per year on average, until a notable increase in 2019, when the harvested area reached 7,023 ha. Since then, however, it has steadily declined, with the harvested area falling to 4,825 ha by 2023. In contrast, the total yield showed less volatility over the observed period. After steady growth, which peaked in 2021 at 10,097 t, there was a significant decline in recent years to 6,601 t in 2022, followed by a modest improvement in 2023, when the yield reached 7,397 t. The highest yields were recorded in 2004 (12,474 tons), while the average for 2003-2023 is 8,668 tons.

*Figure 1 Tobacco farming in Serbia*

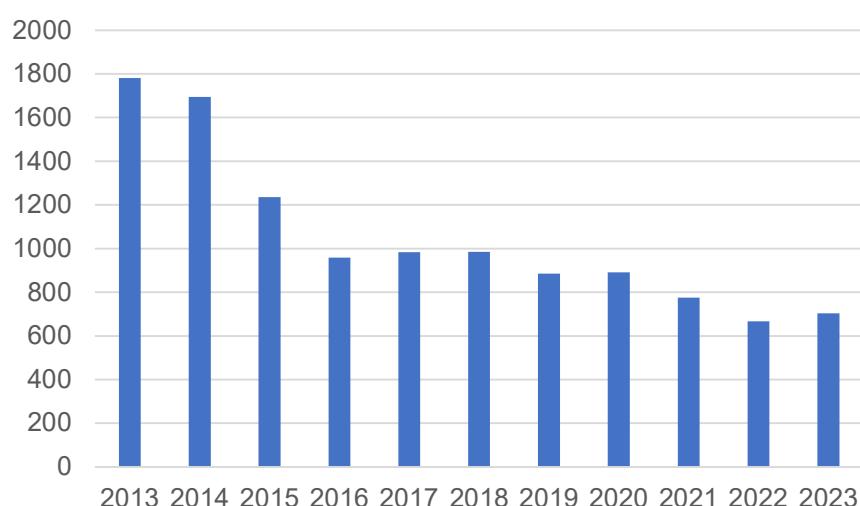


Source: Statistical Office of the Republic of Serbia, 2024

From 2013 to 2023, there was a clear downward trend in the number of tobacco farmers in Serbia (Figure 2). During this period, their number decreased from 1,782 in 2013 to 704 in 2023. The sharp decline in the number of tobacco farmers, of which about a third are still active, while the area under cultivation has remained relatively stable, indicates a consolidation of production, which is dominated by nine large tobacco growers.

The decline in tobacco cultivation in Serbia is due to the change in agricultural policy measures, in particular the abolition of subsidies for tobacco producers. The Ministry of Agriculture has discontinued subsidies for tobacco cultivation in line with European regulations, especially since the tobacco industry in Serbia is foreign-owned, making state support for tobacco cultivation economically unjustifiable. Subsidies per hectare have not been completely abolished, as tobacco cultivation continues to be treated like other crop products. In 2024, subsidies for crop production amounted to RSD 18,000 (EUR 153.6) per hectare. In some of Serbia's neighboring countries, tobacco cultivation continues to receive significant government support in the form of subsidies. For example, between 2008 and 2019, North Macedonia allocated around a quarter of its total agricultural subsidies and 40% of its crop-specific subsidies to tobacco cultivation. This amounted to EUR 241 million in subsidies for tobacco cultivation (over EUR 14,000 per hectare), which remains vital for around 20,000 agricultural households whose main source of income is tobacco cultivation (Hristovska Mijovic et al., 2022). Although Romania is an EU member, it also supports tobacco growing financially. In 2022, the country granted a temporary national subsidy of EUR 2,584.54/ha, the highest subsidy per hectare in Romania (Nerău et al., 2023).

*Figure 2 Number of Tobacco Leaf Producers*



Source: Serbian Tobacco Administration, 2024

Table 3 provides an insight into the sales value and volumes of tobacco (dried leaves) in Serbia from 2018 to 2022. Despite fluctuations in the volumes of tobacco traded, the overall value has remained relatively stable, especially from 2020 to 2022. From 2020 onwards, the value of sales increased, although volumes remained below 2018 levels, indicating higher prices per ton, which could be due to inflationary pressures.

*Table 3 Sales of tobacco (dried leaf) in Serbia (2018-2022)*

Year	Value (in EUR)	Quantities (in t)
2018	13,004,143	7,424
2019*	6,321,595	6,957
2020	15,155,638	6,856
2021	15,956,451	7,289
2022	15,962,880	5,475

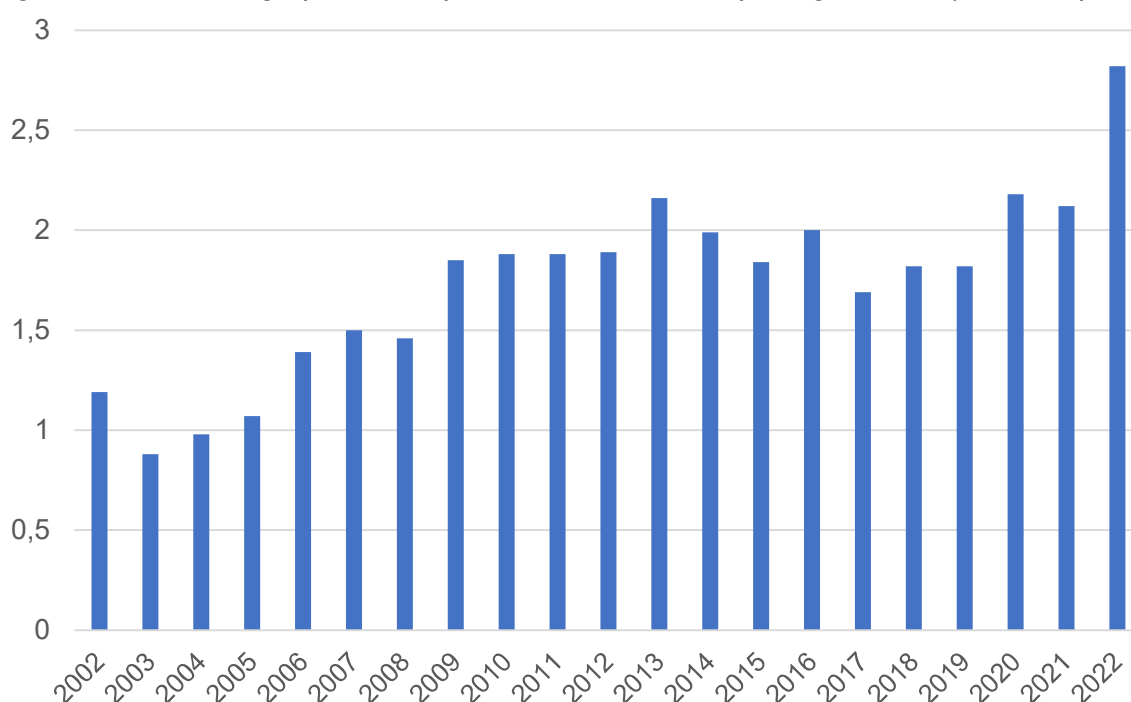
Source: Statistical Office of the Republic of Serbia, 2023; Serbian Tobacco Administration; 2024

\* Data not verified due to outbreak of Covid19

### 3.3 Overview of the tobacco market

Table 4 shows the data on registered companies in the Serbian tobacco sector for the period from 2018 to 2023. The data comes from the official registers of the Serbian Tobacco Administration, which was established in 2005 by the Tobacco Act as an institution of the Ministry of Finance and continues the work of the Tobacco Agency, which was founded in 2003. During the reporting period, the number of registered wholesalers and importers increased significantly, and the number of registered exporters and retailers fell slightly.

Figure 3 The average purchase price of tobacco leaf per kg in EUR (nominal prices)



### 3.3 Overview of the tobacco market

Table 4 shows the data on registered companies in the Serbian tobacco sector for the period from 2018 to 2023. the data comes from the official registers of the Serbian Tobacco administration, which was established in 2005 by the Tobacco Act as an institution of the Ministry of Finance and continues the work of the Tobacco Agency, which was founded in 2003 during the period under review, the number of registered wholesalers and importers increased significantly, and the number of registered exporters and retailers decreased slightly.

Table 4 Registered entities in the tobacco sector in Serbia 2018-2023

Registers	2018	2019	2020	2021	2022	2023
Tobacco producers	8	8	8	8	8	9
Tobacco processors	8	4	4	4	4	4
Tobacco refiners	/	/	3	3	4	5
Manufacturers of tobacco products	4	4	4	4	4	4
Wholesalers of tobacco products	10	11	11	11	13	15
Importers of tobacco products	14	15	16	20	20	20
Exporters of tobacco products	21	23	21	21	20	19
Retailers of tobacco products	20,517	20,509	19,593	19,578	19,333	19,537
Manufacturers of related products	/	/	/	/	/	3
Importers of related products	/	/	/	/	/	20

Source: Serbian Tobacco Administration, 2024

In Serbia, tobacco growers are companies that cultivate different types of tobacco (Virginia, Burley, Oriental and Semi-Oriental). According to the Tobacco Act, tobacco production includes the production of tobacco seedlings, cultivation of tobacco in the field, harvesting, drying, sorting and packaging of tobacco by the tobacco producer. In Serbia, tobacco producers are registered as natural and legal persons. Compared to the data presented in the first national study for 2017, when 8 tobacco producers were registered as legal entities and 984 as natural persons, the figures for 2023 show an increase in legal entities to 9, while the number of natural persons decreased to 704.

The activities of tobacco processors include shredding, fermenting and other activities in the technological process of tobacco processing and packaging. Tobacco production and processing activities in Serbia are closely intertwined, as half of the producer companies are also active in tobacco processing. Compared to the data presented in the previous study on the tobacco landscape in Serbia, the number of registered tobacco processors in 2018 was 8. However, recent data shows a significant decrease in the number of registered tobacco processors, which was 4 in 2023. The decrease in the number of registered tobacco processors in Serbia is likely due to the consolidation of production and processing activities into fewer companies, as half of the manufacturing companies are also active in processing.

The activity of tobacco refineries includes the industrial processing of processed tobacco used exclusively as a raw material for the manufacture of tobacco products, including reconstituted tobacco (homogenized tobacco or tobacco leaf) and expanded tobacco. Records for registered tobacco processors only begin in 2020 and show a modest but steady increase over the following four years. In 2023, the number of tobacco processors was 5.

Tobacco product manufacturing is an industrial process that involves the preparation, production and packaging of products made wholly or partly from tobacco. These include cigarettes, cigars, cigarillos, smoking tobacco and other tobacco products (chewing tobacco, nasal tobacco - "Burmut", heated tobacco products and tobacco for oral use). Over the years, the number of registered manufacturers of tobacco products has remained constant at 4, including PMI Niš, BAT Vranje, Monus and JTI Senta.

In Serbia, the exclusive right to trade in tobacco products is granted to wholesalers. Between 2017 and 2023, the number of tobacco wholesalers increased from 10 to 15, a growth that is likely due to increasing market demand and diversification of product supply. In 2023, the number of registered retailers in Serbia amounted to 19,537, about 1,000 fewer than in 2018.

The increase in the number of registered importers of tobacco, processed tobacco, tobacco products or tobacco products from 14 in 2018 to 20 in 2023 probably reflects the market's response to the growing demand for novel tobacco products and the expansion of product categories. Conversely, the slight decrease in the number of registered exporters from 21 in 2018 to 19 in 2023 could indicate a decline in export activity.

In 2023, records of the number of registered manufacturers and importers of related tobacco products became available for the first time, totaling 3 manufacturers and 20 importers. According to the Tobacco Act, related products are defined as items with or



without nicotine that are not made of tobacco but otherwise meet the criteria for tobacco products. These include refill liquids for e-cigarettes, herbal smoking or glow stick products, nicotine pouches and waterpipe products.

The following data, which comes from the Serbian Tobacco Administration, provides an overview of the registered brands in various tobacco product categories from 2018 to 2023 (Table 5).

*Table 5 Registered tobacco brands by product category in Serbia, 2018-2023*

<b>Registered brands</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Cigarettes	655	670	670	704	723	744
Cigars	629	694	810	949	1099	1285
Cigarillos	108	126	129	136	150	152
Hand rolled tobacco	122	149	185	469	600	682
Pipe tobacco	50	50	50	50	50	50
Chewing tobacco	23	23	23	23	23	23
Nasal tobacco (Burmüt)	5	5	5	5	5	5
Heated tobacco products	24	28	37	60	65	83

Source: Serbian Tobacco Administration, 2024

Of the registered trademarks, Table 6 contains data on the number of active trademarks on the Serbian market. Active brands of tobacco products are those that are currently sold and commercially present on the market. While all active brands are registered, not all registered brands are necessarily active, as some of them may no longer be produced or distributed, although they are legally recognized.

*Table 6 Active tobacco brands by product category in Serbia, 2018-2023*

<b>Active brands in the domestic market</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Cigarettes	225	226	207	216	219	231
Cigars	248	304	406	511	569	664
Cigarillos	47	48	64	44	56	58
Hand rolled tobacco	60	70	68	183	344	355
Pipe tobacco	8	8	5	5	5	5
Chewing tobacco	8	8	4	2	1	/
Nasal tobacco (Burmüt)	/	/	/	/	/	/
Heated tobacco products	10	14	16	31	31	43

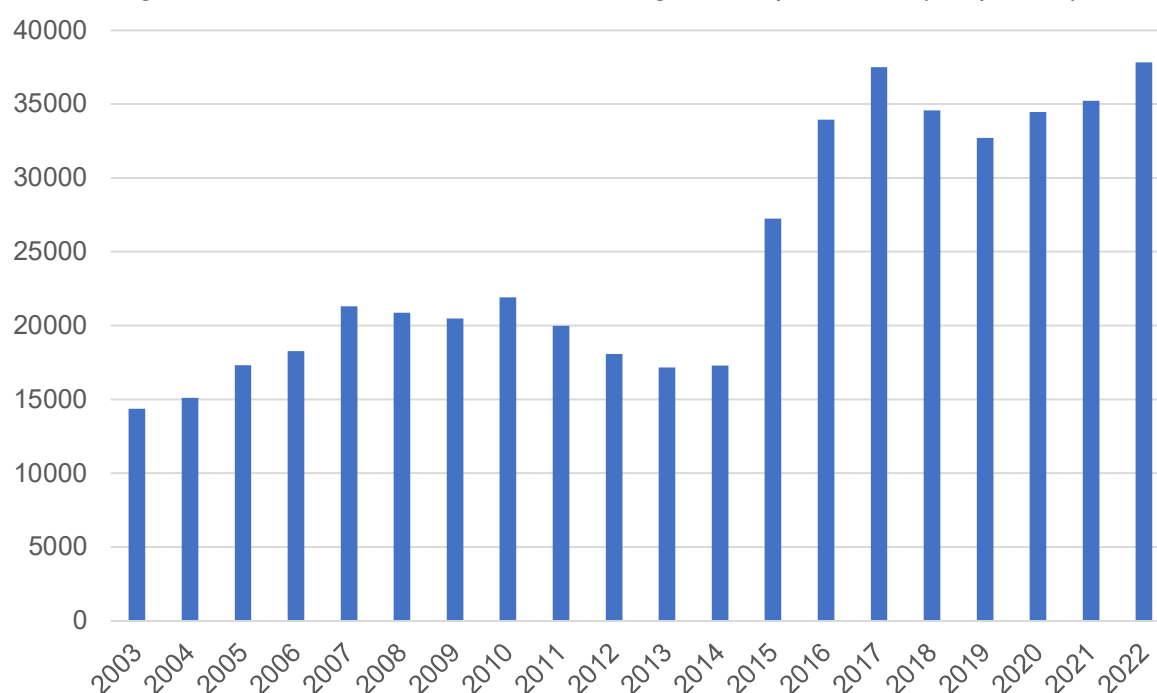
Source: Serbian Tobacco Administration, 2024

The number of active cigarette brands shows a slight but steady upward trend over the years, indicating the continued popularity of this tobacco product category. There has also been significant growth in the number of active brands of cigars and moderate growth in the number of active brands of cigarillos, indicating increasing consumer interest in higher quality tobacco products. This trend reflects the general improvement

in living standards, which is reinforced by the relatively small size of the illicit tobacco market. Of particular note is the rapid expansion of active brands for heated tobacco products, with a significant increase observed from 2020 onwards.

Cigarette production in Serbia has changed over the years, influenced by factors such as privatization, the entry of new competitors and the impact of free trade agreements. These include the establishment of a free trade area with the EU under the Stabilization and Association Agreement, as well as agreements such as CEFTA, EFTA and the Open Balkans Initiative. Since 2014, production has increased significantly thanks to major investments by companies such as JTI and BAT, which have expanded their capacities and operations in Serbia. Notable investments include new machinery, production lines and storage facilities, which have contributed to an increase in production from 17.3 billion cigarettes in 2014 to 37.5 billion in 2017. In subsequent years, cigarette production fell in 2018 and 2019, but rose again in 2020, followed by an increase in the following years.

*Figure 4 The total annual number of cigarettes produced (mil pieces)*



Source: Statistical Office of the Republic of Serbia, 2023

The tobacco industry in Serbia was one of the few sectors that increased its production and exports during the pandemic. According to the Serbian Chamber of Commerce, the production of tobacco products increased by 18.8% in the first five months of 2020 compared to the same period in 2019. This increase was entirely due to higher exports, as cigarette consumption in Serbia fell by around 10% in the same period. In the first five months of 2020, 14,008 tons of cigarettes worth around 87 million euros— were exported - around 22% more than in 2019. The growth in exports was driven by increased demand on international markets, particularly in Japan.

Since 2020, cigarette production has shown a continuous upward trend, which will peak in 2022 at 37.822 million cigarettes (Figure 4).

### 3.4 Foreign trade of tobacco products

According to the Serbian Statistical Office, Serbian exports of tobacco products increased significantly between 2002 and 2017, from EUR 4.2 million in 2002 to a peak of EUR 301.9 million in 2016. While growth was steady in the early 2000s, there were significant jumps from 2013 onwards, especially after 2014, when exports more than doubled compared to the previous year, reaching EUR 111.7 million. This was the result of extensive investment in the expansion of production capacities by JTI. In 2017, however, exports fell to EUR 229.6 million after the record year of 2016.

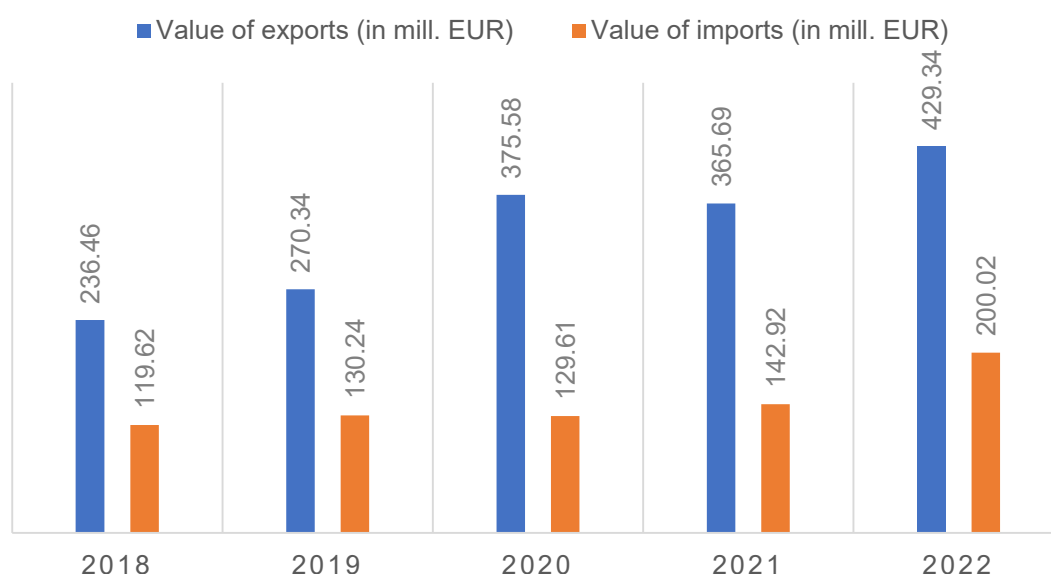
The value of exports within the tobacco products manufacturing sector in Serbia has shown a steady upward trend from 2018 to 2022, with the exception of 2021, when a decline in exports was recorded. Overall, exports increased in the observed period from EUR 236.5 million in 2018 to EUR 429.3 million in 2022 (Figure 5). This steady growth indicates a strong and growing presence of tobacco products manufactured in Serbia on the international market.

From 2002 to 2017, imports of tobacco products from Serbia showed fluctuations, rising from EUR 71.6 million in 2002 to a peak of EUR 90.9 million in 2016, before falling to EUR 80.7 million in 2017. In 2018, however, a remarkable upward trend began: imports reached EUR 119.6 million and will continue to rise to EUR 200 million by 2022. The increase in imports during the observed period can be attributed to the increasing number of tobacco importers and the growing demand for certain tobacco products, as well as the specialization of production by BAT, which has separated the production of its brands in three factories, namely in Romania, Croatia and Serbia. The increased demand has led to a significant increase in the number of registered brands for cigars, hand-rolled tobacco and heated tobacco products on the domestic market.

Various external factors may have influenced these trends, including the global economic situation, exchange rate fluctuations, changes in international trade policy and shifts in consumer preferences. For example, the increase in both exports and imports in 2022 could be partly due to the post-pandemic economic recovery and adjustments in global supply chains. The data presented in Figure 5 represents the value of imports and exports according to industry classification and specifically reflects companies that are officially registered for the production of tobacco products.

The larger export volumes in the tobacco products manufacturing sector in Serbia can be explained by the production specialization strategy of companies such as BAT, which have divided their production between Serbia, Croatia and Romania. While many brands produced in Croatia and Romania are imported to Serbia, Serbia itself produces a significant number of brands that are exported. This division of production allows Serbia to export a large proportion of its locally manufactured tobacco products, which contributes to the higher export figures compared to imports.

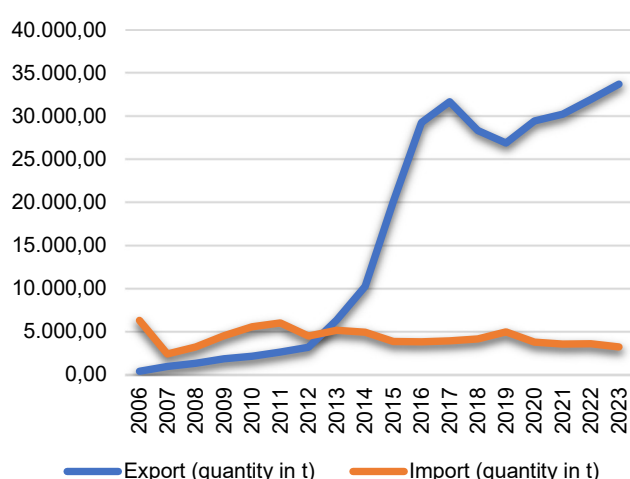
**Figure 5 Foreign trade in tobacco sector in Serbia (2018-2022)**



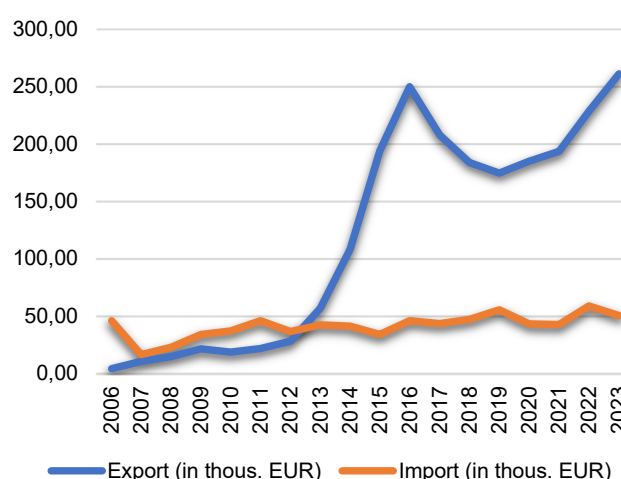
Source: Statistical Office of the Republic of Serbia, 2023

From 2006 to 2017, cigarette imports and exports showed different trends (Figure 6). Imports declined in terms of volume and value, mainly due to the major takeovers of BAT. Investments in tobacco production and expanded production capacities contributed to the increase in exports. Since 2018, cigarette imports have initially increased in volume but have been declining since 2020. In terms of value, imports fell in 2020, which continued into 2021, but rose again in 2022 before falling again in 2023. Conversely, exports declined in both volume and value in 2018 and 2019, but experienced a notable recovery in 2020, with this positive trend continuing in subsequent years.

**Figure 6a Foreign trade of cigarettes in Serbia in 2006-2023 (t)**



**Figure 6b Foreign trade of cigarettes in Serbia in 2006-2023 (EUR mil.)**

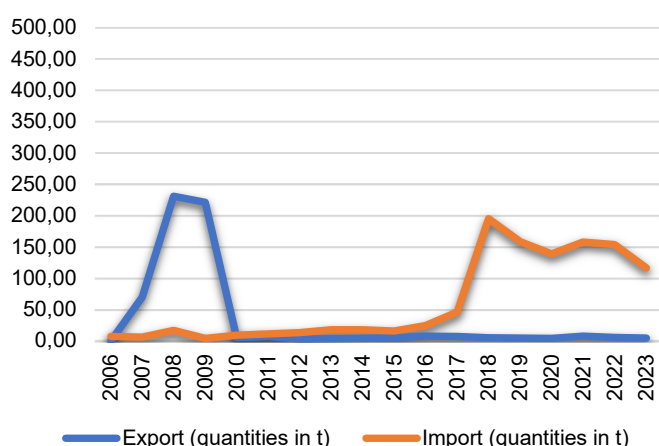


Source: Statistical Office of the Republic of Serbia, 2024

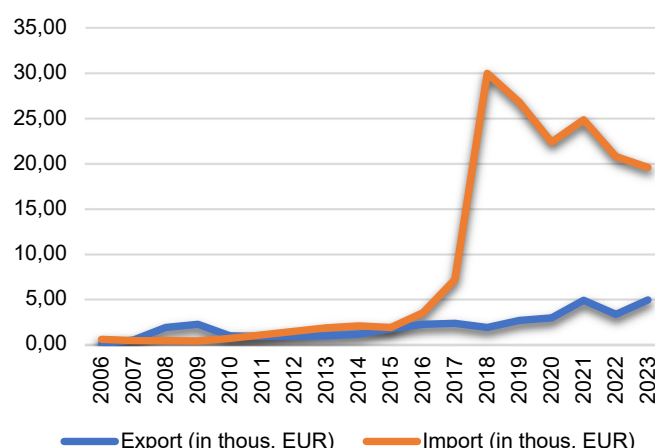
Since tobacco consumption in Serbia consists mainly of cigarettes, the volume of other tobacco products - such as smoking tobacco, cigars and cigarillos - is comparatively

low. In foreign trade with these products, imports clearly exceed exports (Figures 7 and 8). The increase in imports of cigars and cigarillos can be attributed to the growing number of registered cigar brands on the Serbian market, which doubled between 2018 and 2023. This clearly indicates a demand for these products, especially given the significant shifts in imports from 2016 onwards.

*Figure 7a Foreign trade of cigars and cigarillos in Serbia in 2006-2023 (t)*

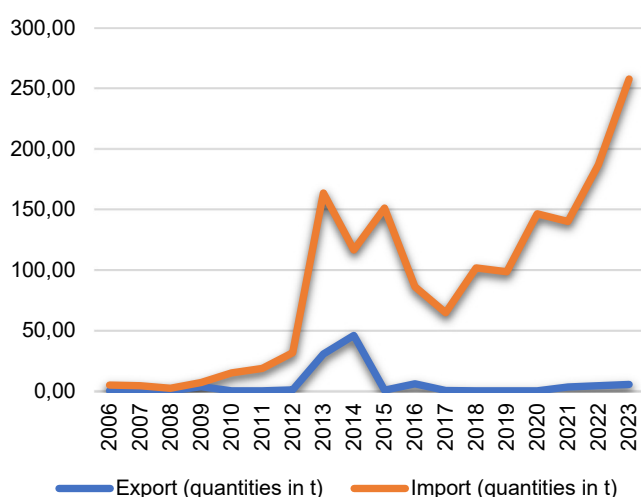


*Figure 7b Foreign trade of cigars and cigarillos in Serbia in 2006-2023 (EUR mil.)*

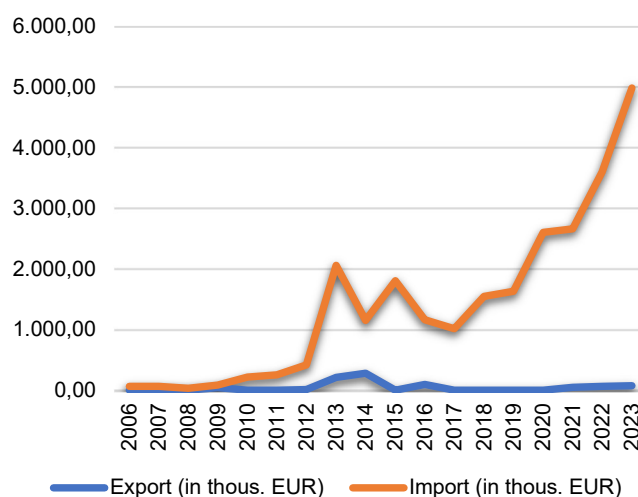


Source: Statistical Office of the Republic of Serbia, 2024

*Figure 8a Foreign trade of smoking tobacco in Serbia 2006-2023 (t)*



*Figure 8b Foreign trade of smoking tobacco in Serbia 2006-2023 (EUR 000)*



Source: Statistical Office of the Republic of Serbia, 2024

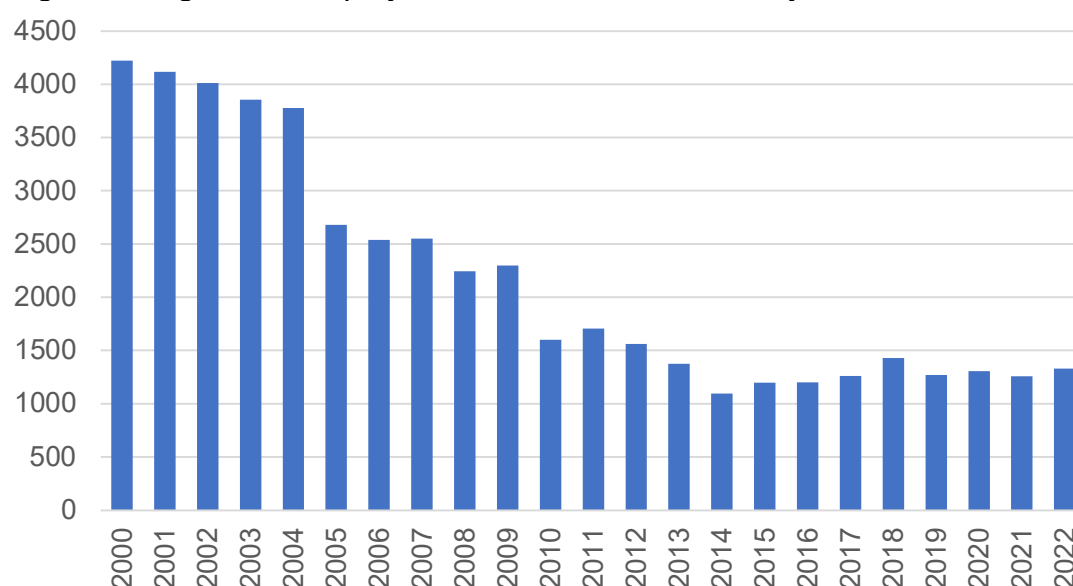
### 3.5 Employment in the sector

The percentage of employment in the tobacco products manufacturing sector relative to the total employment in Serbia is minimal, fluctuating between 0.07% and 0.06% in

the period from 2018 to 2022 (Statistical Office of the Republic of Serbia). Since 2000, the number of employees in cigarette manufacturing in Serbia has significantly declined. The first major reduction occurred from 2004 to 2005, following two major privatizations. A new local company that opened in 2005 did not lead to a significant increase in employment, and the number of employees further decreased from 2005 to 2006. Another notable decrease happened from 2009 to 2010 due to massive layoffs at PMI, which outsourced many non-manufacturing activities such as restaurant services, maintenance, and packaging.

In 2022 registered employment in the manufacturing of tobacco products was 1329. While there were declines in employment in 2019 and 2021, there was a slight increase in 2022 (Figure 9). The continuous decline in tobacco industry employment is attributed to new investments in production facilities, automation, and the capital-intensive nature of production. These figures encompass employees at legal entities, persons individually running businesses, unincorporated enterprises, and their employees.

*Figure 9 Registered employment in the tobacco industry in Serbia 2000-2022*



Source: Statistical Office of the Republic of Serbia, 2023

Based on 2021 data, large enterprises engaged in the manufacturing of tobacco products employed the highest number of workers, totaling 835, followed by medium-sized enterprises with 474 employees. These figures encompass both employees and self-employed individuals and are presented according to the industry classification, thereby representing the entire tobacco sector in Serbia.

Table 7 provides insight into the average net wages and salaries in RSD across the observed years, indicating fluctuations in earnings over the period. While there was a noticeable increase from 2018 to 2019, followed by a significant rise in 2020, the figures dipped slightly in 2021 before climbing again in 2022. Expressed in EUR, the average net wages and salaries amounted to 850,3 in 2018 and increased to 1,074 EUR in 2022.

*Table 7 Average net wages and salaries in the manufacture of tobacco products in Serbia 2018-2022*

<b>Year</b>	<b>Value in RSD</b>	<b>Value adjusted for inflation (2022 prices)</b>
<b>2018</b>	100,563	114,667
<b>2019</b>	108,589	121,351
<b>2020</b>	127,222	139,326
<b>2021</b>	119,653	129,545
<b>2022</b>	126,190	126,190

Source: Statistical Office of the Republic of Serbia, 2023; Authors' calculation

## 4. DEMAND FOR TOBACCO PRODUCTS

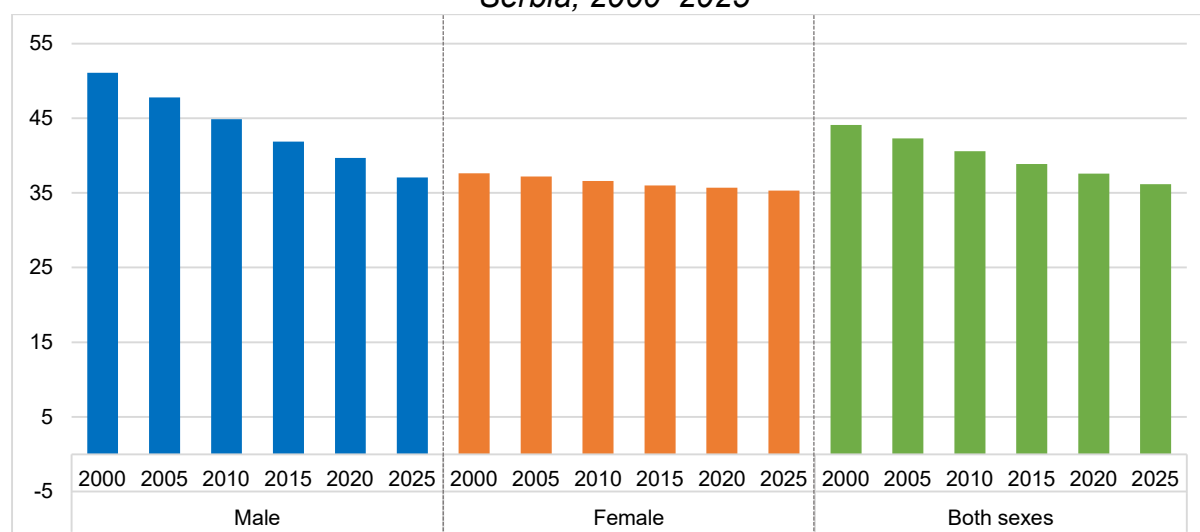
This section provides a detailed analysis of tobacco use in Serbia, highlighting the prevalence of smoking and patterns of use, which are generally declining. The report also looks at the use of alternative tobacco products, such as the increasing importance of heated tobacco products, electronic cigarettes and water pipes, with notable consumption among young adults and school-age children. Monitoring alternative tobacco products has only recently begun, which limits our analysis of long-term consumption trends and market shifts.

### 4.1 Prevalence of smoking

According to a recent UNDP report on tobacco control in Serbia (UNDP, 2024), the prevalence of smoking in Serbia is one of the highest in Europe, with 37% of adults currently being smokers. The average daily cigarette consumption of Serbian smokers is 16.6 (18.8 for men and 14.4 for women) (Adult Tobacco Consumption in Serbia, 2019). Looking at the other countries of the Western Balkans, smoking prevalence in Serbia is lower than in Montenegro (41%), Bosnia and Herzegovina (41%) and North Macedonia (48%) (UNDP, 2024). In the EU, 25% of the population aged 15 and over smoked in 2020 (Eurostat).

The WHO global report on trends in the prevalence of tobacco use 2000–2025 shows that tobacco use in Serbia has been declining since 2000. Prevalence rates among men have fallen steadily, while rates among women have remained relatively stable, leading to a narrowing of the gender gap in tobacco consumption (Figure 11).

*Figure 11 Smoking prevalence trends among people aged 15 years and older in Serbia, 2000–2025*



Source: WHO global report on trends in prevalence of tobacco use 2000–2025, 4<sup>th</sup> Ed., 2021  
<https://www.who.int/publications/i/item/9789240039322>

Date accessed: July 22, 2024

Note: 2025 data are projections

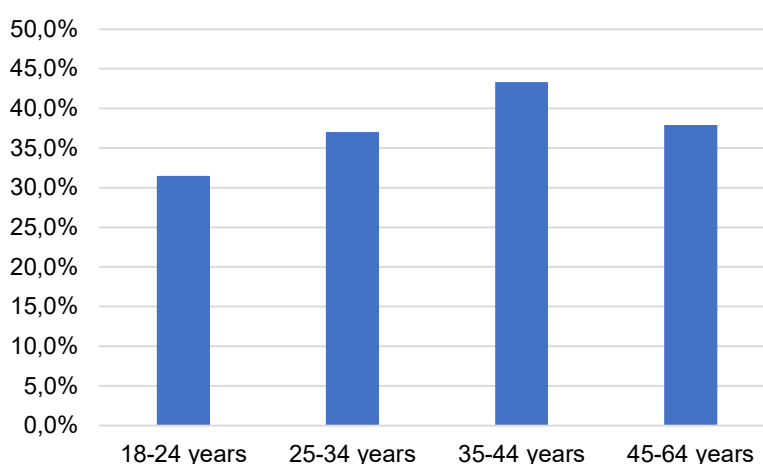
In Serbia, tobacco consumption has been one of the most widespread health risk factors for many years, as confirmed by the results of the Serbian National Health Survey 2019. The survey on the consumption of tobacco and related products among



the adult population in Serbia was conducted in December 2023 by the Office for Smoking Prevention of the Institute of Public Health of Serbia "Dr. Milan Jovanović Batut". The sample included 1598 residents aged 18-64 years. The survey collected data on the frequency of smoking cigarettes, electronic cigarettes and heated tobacco products, as well as on exposure to tobacco smoke.

The survey found that 37.9% of adults in Serbia smoke cigarettes occasionally or daily. The highest prevalence of smoking is found in the 35-44 age group (Figure 12). Within this age group, the majority (81.8%) smoke daily. In addition, one in five adult smokers consumes more than one pack of cigarettes per day.

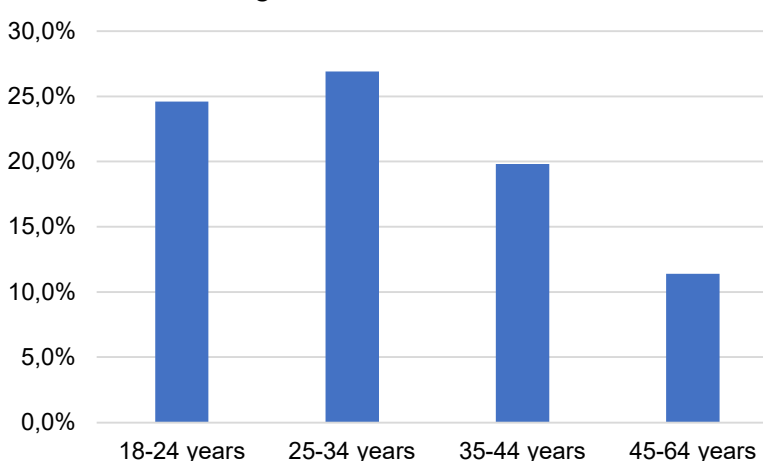
*Figure 12 Smoking prevalence among individuals aged 18-64 in Serbia*



Source: Institute of Public Health of Serbia, 2024

The research found that 18.4% of the adult population had tried electronic cigarettes at least once (17.5% of men compared to 19.3% of women). The highest percentage of people who have tried electronic cigarettes is in the 25-34 age group (Figure 13).

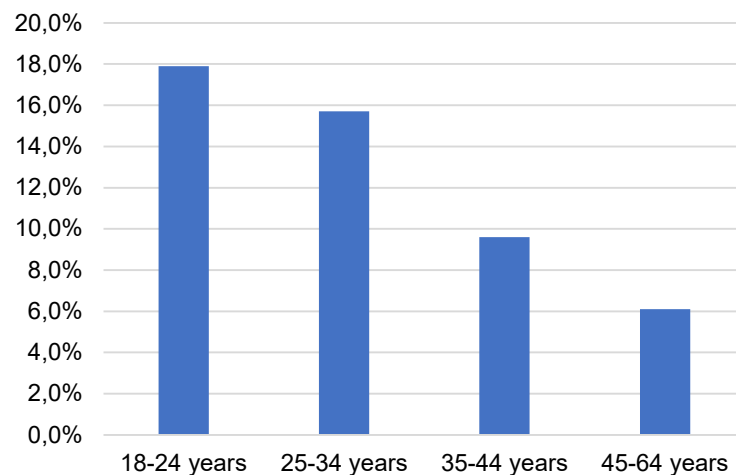
*Figure 13 Share of adults aged 18-64 in Serbia who have tried e-cigarettes*



Source: Institute of Public Health of Serbia, 2024

The research results show that 10.6% of the adult population have tried hookah (14.9% of men versus 6.4% of women). The highest percentage of hookah users falls in the 18-24 age group (Figure 14).

*Figure 14 The percent of adults aged 18-64 in Serbia who have at least once smoked hookah*



Source: Institute of Public Health of Serbia, 2024

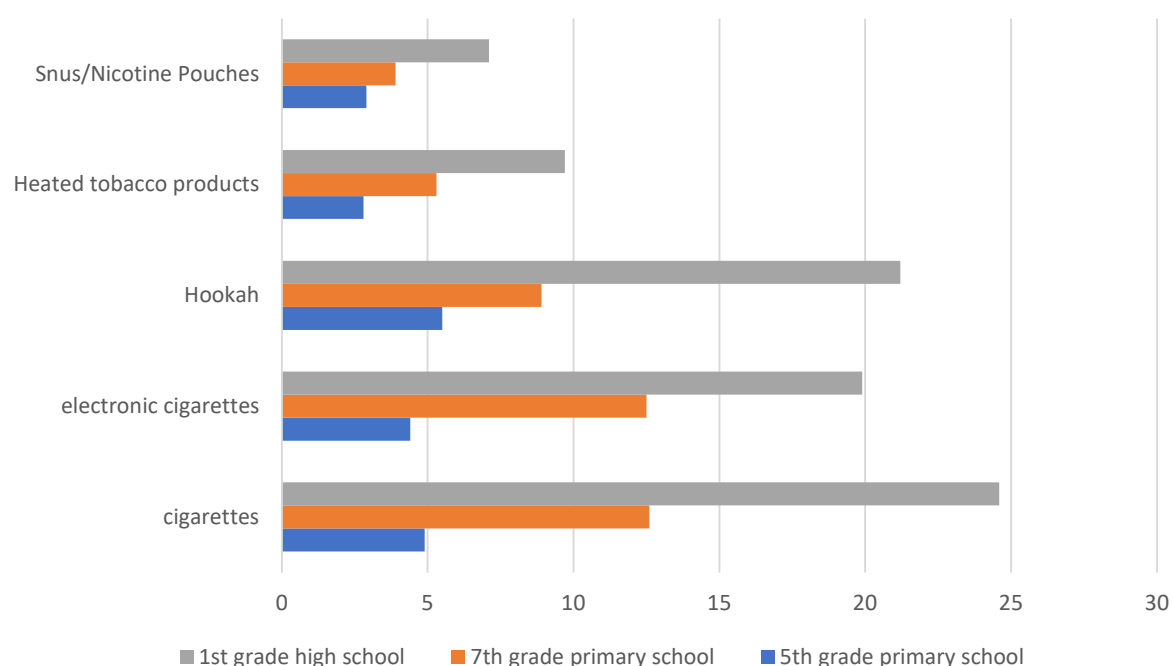
Despite the legal framework established by the Protection of the Population from Exposure to Tobacco Smoke Act, which prohibits smoking in indoor workplaces, healthcare, education and other public places, research shows that compliance is widespread. A significant proportion of the population continues to be exposed to tobacco smoke, suggesting that enforcement of these regulations is inadequate. Among those to whom the question applied, exposure to tobacco smoke was found to be as follows for people aged 18-64: 43% in the workplace, 24% in educational institutions and 85% in the hospitality industry. In addition, 23% of respondents reported being exposed to electronic cigarette aerosols, with 33% of exposed respondents reporting discomfort from this exposure.

Another example of the widespread exposure to tobacco smoke is the Institute of Economic Sciences' study on adult tobacco consumption in Serbia, which provides further disturbing results. A remarkable 48.1% of adults reported being exposed to tobacco smoke in their homes, showing that the problem goes beyond public spaces. In the workplace, 20% of adults work in companies where smoking is allowed in some indoor spaces, while 6.6% are employed in companies where smoking is allowed both indoors and outdoors. In addition, 9.3% work in companies that do not have smoke-free policies. The problem is even more serious in restaurants, where 91.8% of bar patrons and 86.5% of restaurant patrons were exposed to secondhand smoke (Zubović et al., 2020). These figures underline the ongoing challenge of enforcing tobacco control in environments where smoking remains socially acceptable despite existing legal restrictions.

The Serbian Institute of Public Health "Dr. Milan Jovanović Batut" has been actively monitoring youth tobacco use through the Global Youth Tobacco Survey (GYTS). This nationally representative school-based survey of students in grades 13 to 15 was conducted in 2003, 2008, 2013 and 2017. The latest GYTS survey found that around one in ten students currently smoke cigarettes. It is particularly striking that the smoking rate is higher among girls (11.2%) than boys (10.9%). The survey also found that around a third of students (36.8%) had tried cigarettes at least once, with similar rates between the sexes (36.6% for boys and 36.8% for girls). In addition, 6.2% of

students used electronic cigarettes, while 9.0% smoked hookah (Table 7a). Of particular concern is the fact that around 60% of students were exposed to tobacco smoke in their homes, in enclosed and public spaces. A study conducted by the Institute of Economic Sciences further underlines the severity of the problem, showing that 80% of households with children under the age of 14 allow smoking indoors (Zubović et al., 2020). In addition to these alarming results, the GYTS data also shows that more than 80% of current smokers were not prevented from buying cigarettes despite their age, even though the Tobacco Act prohibits the sale of tobacco products to minors.

*Figure 15 – Smoking prevalence among youth (%)*



The Institute has also conducted the Health Behavior in School-Aged Children Survey (HBSC), an international study that monitors the health and well-being of adolescents in Europe and North America. So far, the Institute has conducted three HBSC surveys, in 2017, 2018 and 2022. The most recent survey was conducted in the 2021/2022 school year and included 3,962 students from 101 elementary school (grades 5 and 7 of elementary school – ages 11 and 13) and secondary schools (first grade – age 15) in Serbia.

The results on the prevalence of tobacco use in the observed population show that 15.1% of students smoked cigarettes at least once (14.5% of boys and 15.6% of girls). In addition, 12.8% smoked hookah (13.0% of boys and 12.7% of girls). Heated tobacco products have been used at least once by 6.3% of pupils (6.1% of boys and 6.3% of girls).

In terms of current tobacco consumption, 10.2% of students currently smoke cigarettes (10.5% of boys and 10.0% of girls). The consumption of water pipes is currently at 7.1% (with 7.9% for boys and 6.3% for girls). Heated tobacco products are currently used by 4.5% of students (4.4% of boys and 4.5% of girls).

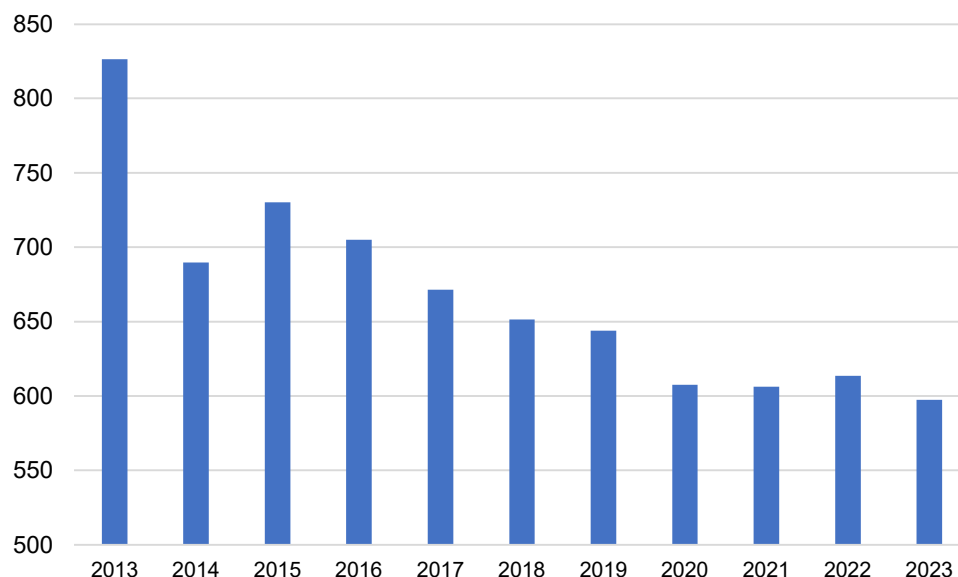
In addition, one in five students in Serbia has tried electronic cigarettes, and the use of electronic cigarettes and snus increases with age. Specifically, 19.7% of students have used electronic cigarettes at least once (18.4% of boys and 20.8% of girls), while 13.0% have used electronic cigarettes in the last 30 days (11.6% of boys and 14.3% of girls). Snus has been used at least once by 4.9% of students (6.2% of boys and 3.7% of girls), while 3.0% have used snus in the last 30 days (3.7% of boys and 4.6% of girls).

The data show that primary and secondary school students in Serbia have significant exposure to different tobacco products, with notable differences between genders. While boys were generally more likely to smoke conventional cigarettes, girls reported more frequent use of heated tobacco products and electronic cigarettes. This trend suggests that the preferences of the younger population are shifting towards alternative tobacco products. This highlights the need for targeted public health interventions to address these new patterns of tobacco use.

## 4.2 Tobacco products consumption

Like the prevalence rate, cigarette consumption in Serbia has also shown a downward trend over the last 10 years. After 2015, a constant decline in sales figures was observed. There was a slight increase in 2022, followed by a decline in 2023 with sales totaling 597 million packs (Figure 16).

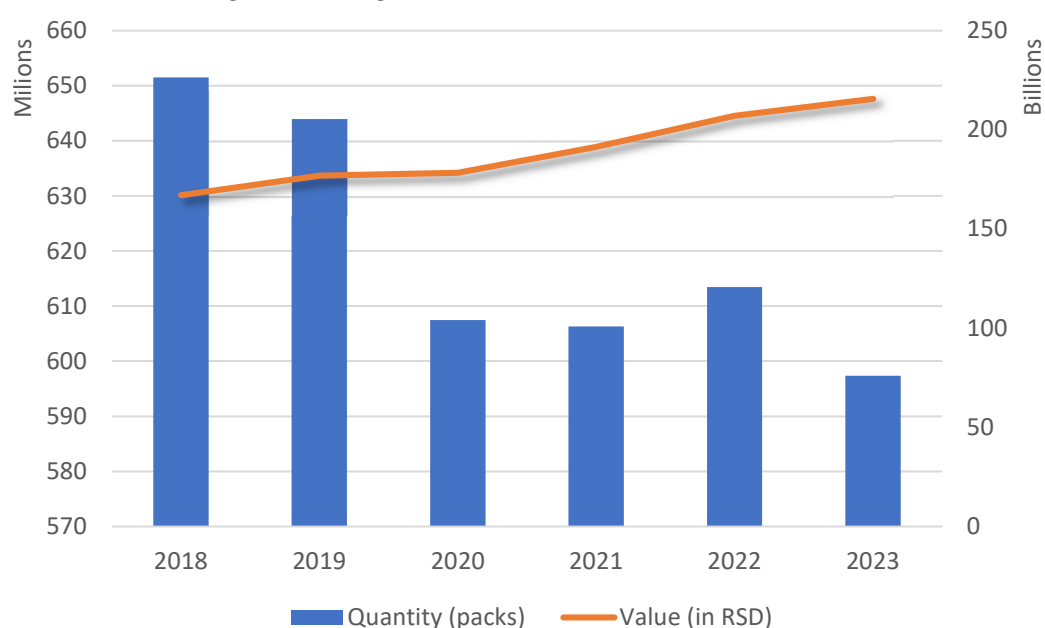
*Figure 16 Cigarette sales in Serbia 2013-2023 (mil. packs)*



Source: Serbian Tobacco Administration, 2024

However, the value of cigarette sales is rising steadily over the period 2018-2023, indicating a significant increase in the average price per pack. This reflects the impact of the increase in tobacco tax according to the tobacco calendar and price adjustments in line with the annual inflation rate (Figure 17).

Figure 17 Cigarette sales in Serbia 2018-2023



Source: Serbian Tobacco Administration, 2024

Table 8 Most sold cigarette brands in Serbia and their retail prices at the end of the year, 2018-2023

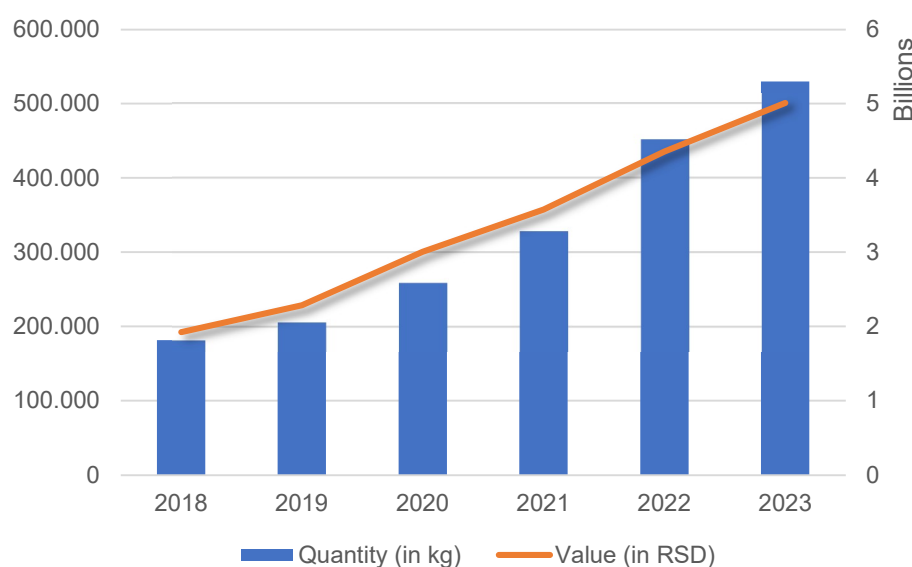
Year	Cigarette	RP (RSD/pack)	RP (EUR/pack)
2018	L&M Loft XL (Blue)	220,00	1.88
	Winston 100's Red (Gold)	280,00	2.39
	Bond Street (Red Selection, 100's)	240,00	2.05
2019	L&M Loft XL (Blue)	240,00	2.05
	Winston 100's Red (gold)	290,00	2.48
	Pall Mall (Longs Blue)	240,00	2.05
2020	L&M Loft XL (Blue)	260,00	2.22
	Winston 100's Red (gold)	310,00	2.65
	Pall Mall (Longs Blue)	260,00	2.22
2021	L&M Loft XL (Blue)	280,00	2.39
	Winston 100's Red (gold)	330,00	2.82
	Pall Mall (Longs Blue)	280,00	2.39
2022	L&M Loft XL (Blue)	300,00	2.56
	Winston 100's Red (gold)	350,00	2.99
	Pall Mall (Longs Blue)	300,00	2.56
2023	L&M Loft XL (Blue)	330,00	2.82
	Winston 100's Red (gold)	380,00	3.25
	Pall Mall (Longs Blue)	330,00	2.82
2024	L&M Loft XL (Blue)	360,00	3.08
	Winston 100's Red (gold)	410,00	3.50
	Pall Mall (Longs Blue)	360,00	3.08

Source: Serbian Tobacco Administration, 2024

According to the Serbian Tobacco Administration, the best-selling cigarette brands in the period 2018-2023 are presented in Table 8, together with the corresponding retail prices (RP) per pack. The market dominance of multinational tobacco companies is clear and has continued steadily since 2014, when domestic brands were replaced by the brands of multinational companies that entered the Serbian market. The three best-selling brands over the years are all owned by these global companies: L&M Loft XL (Blue) by PMI, Winston 100's Red (Gold) by JTI and Pall Mall (Longs Blue) by BAT. Changes in the best-selling brands were not common during the observed period, as the last four years show a stable trend in the best-selling cigarette brands. The trend of regular price increases for the most popular brands during the observed period has remained constant over the years. This is due to inflation as well as rising excise taxes, which are in line with the excise tax calendar that is published at least twice a year.

Figure 18 shows data on the quantity and value of hand-rolled tobacco on the Serbian market during the observed period. The data indicate a notable increase in both the quantity and value of hand-rolled tobacco sales, reflecting the increased demand. This increase in demand may be due to several factors, including changes in cigarette prices. As cigarette prices rise, consumers may opt for less expensive alternatives, such as hand-rolled tobacco.

*Figure 18 Hand rolled tobacco sales in Serbia 2018-2023*



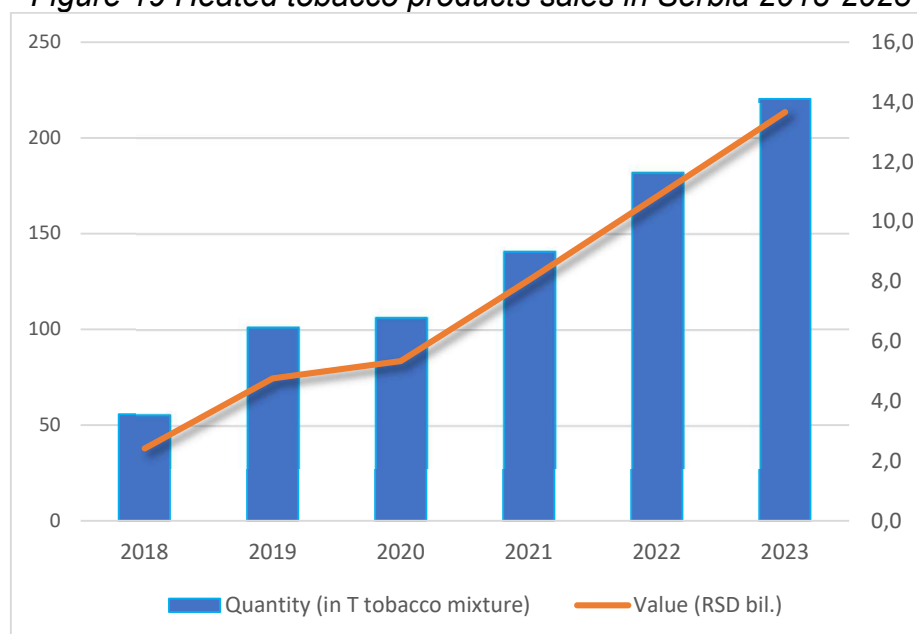
Source: Serbian Tobacco Administration, 2024

The data in Table A in the Appendix shows trends in consumer preferences and price adjustments for popular brands of hand rolled tobacco. Key brands such as Pall Mall Blue and George Karelias & Sons Hrt were consistently in demand. During the period under review, the prices of hand-rolled tobacco have shown a clear upward trend.

Figure 19 shows the volume and value of sales of heated tobacco products on the Serbian market during the observed period. There is a steady upward trend in both the volume and value of sales, indicating a continued increase in demand for this relatively new and rapidly developing category of tobacco products. Several factors may contribute to this trend, starting with the widespread belief that heated tobacco products are less harmful than conventional cigarettes. (Seo et al., 2023; Xu et al.,

2020), others are the desire to quit or reduce smoking (Lavery et., 2021), or even to supplement smoking (Luk et al., 2021). Other reasons could be the evolving consumer preferences that are the result of product innovation and appealing design, or the societal impact and the intense marketing and promotional activities, especially in bars and cafes.

*Figure 19 Heated tobacco products sales in Serbia 2018-2023*



Source: Serbian Tobacco Administration, 2024

Data on the most popular brands of heated tobacco products in Serbia from 2018 to 2023, presented in Table B in the Appendix, show a constant presence of Heets in various flavors, indicating their dominance in the domestic market. During the observed period, there was a clear upward trend in retail prices, with the exception of 2021, when prices experienced a period of stagnation.

When converting fine roll-your-own tobacco into cigarette packs, as shown in Table 9, its share of total cigarette sales would increase from 1.35% in 2018 to 4.01% in 2023, while HTPs would grow from 1.38% to 5.56% of the total market. This indicates a relatively small contribution to total cigarette sales, despite the significant growth of roll-your-own tobacco over this period.

*Table 9 Legal sales of tobacco products for the period 2018-2023*

	Hand rolled tobacco sales (expressed in packs of cigarettes)	Heated tobacco sales (packs of HTPs)	Cigarette sales (packs)
<b>2018</b>	9,071,520	9,277,625	655,508,810
<b>2019</b>	10,281,258	16,871,820	643,571,991
<b>2020</b>	12,936,480	17,725,255	611,308,631
<b>2021</b>	16,419,965	23,447,155	608,184,647
<b>2022</b>	20,764,110	30,316,808	613,466,976
<b>2023</b>	26,498,466	36,718,415	597,263,985

Source: Serbian Tobacco Administration, 2024; Authors' calculation

Tables 10 and 11 show the volumes and values of chewing tobacco and pipe tobacco sales on the Serbian market from 2018 to 2023 as well as the price per kilogram. Chewing tobacco sales show a consistent downward trend, with the lack of data for 2023 possibly indicating unrecorded sales. Sales of pipe tobacco, on the other hand, have been stable over the years, with slight fluctuations, but overall, at a constant level. This indicates that the demand for pipe tobacco on the Serbian market remains relatively constant. The value of pipe tobacco shows a steady upward trend. This indicates that the value of pipe tobacco is increasing, even if the volume is not increasing significantly, due to higher prices or possible premiumization of certain products.

*Table 10 Chewing tobacco sales in Serbia 2018-2023*

<b>Chewing tobacco</b>			
<b>Year</b>	<b>Quantity (in kg)</b>	<b>Value (in RSD)</b>	<b>Price per kg (in RSD)</b>
<b>2018</b>	43.37	2,240,024.41	51,649.16
<b>2019</b>	83.01	3,392,804.36	40,872.23
<b>2020</b>	26.49	1,384,800.30	52,276.34
<b>2021</b>	12.68	659,360.00	52,000.00
<b>2022</b>	0.98	50,960.00	52,000.00
<b>2023</b>	n/a	n/a	n/a

Source: Serbian Tobacco Administration, 2024; Authors' calculation

*Table 11 Pipe tobacco sales in Serbia 2018-2023*

<b>Pipe tobacco</b>			
<b>Year</b>	<b>Quantity (in kg)</b>	<b>Value (in RSD)</b>	<b>Price per kg (in RSD)</b>
<b>2018</b>	1,052.60	14,258,000.00	13,545.51
<b>2019</b>	1,077.15	14,421,700.00	13,388.75
<b>2020</b>	1,060.25	14,609,600.00	13,779.39
<b>2021</b>	1,040.10	15,713,400.00	15,107.58
<b>2022</b>	1,049.60	16,175,800.00	15,411.39
<b>2023</b>	1,158.30	18,118,700.00	15,642.49

Source: Serbian Tobacco Administration, 2024; Authors' calculation

The data in Table C in the Appendix provides an overview of the best-selling chewing tobacco brands and their corresponding retail prices in Serbia from 2018 to 2023. During this period, Oden's Double Mint Extreme White Portion 20g and Oden's Cold Extreme White Portion 20g were consistently the most popular brands, maintaining a stable presence in the market. The lack of data for 2022 and 2023, particularly the absence of new products or prices, suggests either a contraction in the market or a shift in consumer preferences away from chewing tobacco. This absence could also indicate minimal sales activity, consistent with the general trend of declining interest in chewing tobacco.

The data on the best-selling pipe tobacco and its retail prices in Serbia from 2018 to 2023, presented in Table D in the Appendix, show the stability in popular products. After the period of constant prices, these prices started to increase from 2020, indicating a trend of gradual price increases for all major brands.



Tables 12 and 13 present the quantities and values of cigars and cigarillos sales in the Serbian market over the observed period. Both cigars and cigarillos have shown consistent growth in quantities and value. However, as shown in figures 7a and 7b the increase in demand has been mostly fulfilled by imported products. This sustained increase in consumer demand may be attributed to several factors: shifting consumer preferences towards premium tobacco products, the perceived luxury associated with cigars, the wide variety of flavored options available for cigarillos, and the perception of these products as substitutes for cigarettes. Additionally, the growing disposable income of consumers may have contributed to this trend.

*Table 12 Cigars sales in Serbia 2018-2023*

<b>Cigars</b>		
<b>Year</b>	<b>Quantity (piece)</b>	<b>Value (in RSD)</b>
2018	2,502,434	523,047,295.00
2019	3,020,733	604,911,100.00
2020	3,352,996	801,272,290.00
2021	4,221,407	1,059,104,145.00
2022	4,529,637	1,227,193,680.00
2023	5,261,858	1,601,162,150.00

Source: Serbian Tobacco Administration, 2024

*Table 13 Cigarillos sales in Serbia 2018-2023*

<b>Cigarillos</b>		
<b>Year</b>	<b>Quantity (piece)</b>	<b>Value (in RSD)</b>
2018	2,576,251	187,912,010.00
2019	2,567,159	209,579,985.00
2020	2,985,140	250,504,140.00
2021	3,494,252	301,054,080.00
2022	4,128,500	369,720,260.00
2023	4,649,799	433,485,190.00

Source: Serbian Tobacco Administration, 2024

The data in Table E in the Appendix provides an overview of the best-selling cigar brands in the Serbian market from 2018 to 2023. The data shows that Toscanello brands dominate the market with prices remaining constant until 2022, when gradual price increases begin. The data on the best-selling cigarillo brands in the Serbian market over the observed period shows the dominance of the MOODS brand, which consistently appears as a top seller. There was an increase in retail prices in 2019, followed by a period of stable prices until 2022. In 2022, prices increased for all three top-selling cigarillo brands, and this increase continued until 2023, as shown in the data presented in Table F in the Appendix.

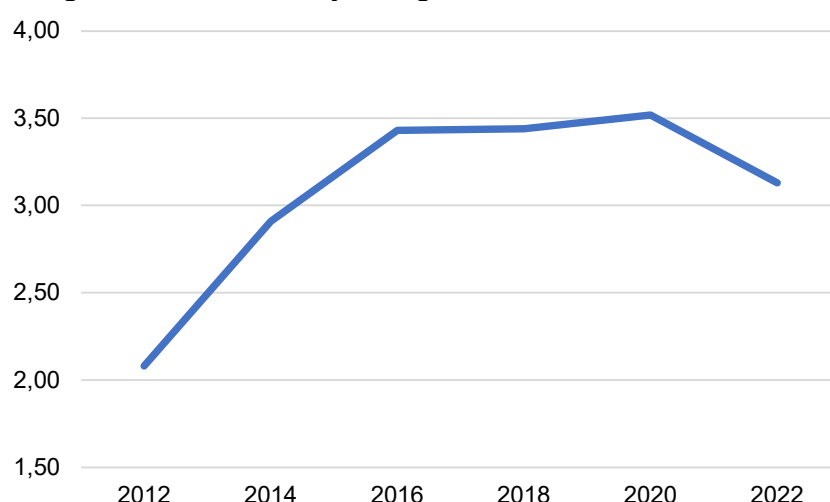
## 5. TOBACCO CONTROL POLICIES

Although Serbia performs better than the average of the countries in its income group and the global average, it is in the middle of the pack in terms of cigarette prices, tax share and tax structure, and performs poorly in terms of changes in affordability, as the internationally recognized Tobacconomics Scorecard shows.

### 5.1 Excise duties on tobacco products

Although the price of cigarettes has gradually increased over time and their affordability has decreased (Figure 20), the overall Tobacconomics Scorecard score for Serbia is currently 3.13 out of 5 (Cigarette Tax Scorecard, 3rd ed., 2024). This represents a decrease from the first edition of the Cigarette Tax Scorecard published in 2020, when Serbia had an overall cigarette tax score of 3.63 out of 5 (Cigarette Tax Scorecard, 2020).

*Figure 20 Affordability of cigarettes in Serbia 2012-2022*



Source: WHO, Global Health Observatory data repository, 2024

<https://apps.who.int/gho/data/view.main.TOBFAFFORDABILITY>

Date accessed: August 1, 2024

This decline suggests that while there have been positive steps to raise cigarette prices, further improvements are needed in these areas to increase the effectiveness of tobacco tax policy, as tobacco tax increases have not always kept pace with increases in consumer purchasing power.

The excise tax policy for tobacco and tobacco products is governed by the Excise Tax Act, with the Ministry of Finance responsible for formulating and implementing this policy. Excise duties are levied on cigarettes, cigars, cigarillos, smoking tobacco, heated tobacco products, roll-your-own tobacco, pipe tobacco, chewing tobacco, nasal tobacco (Burmut), nicotine pouches and e-liquid for electronic cigarettes.

Excise duty on cigarettes is paid per pack of 20 cigarettes. The basis for calculating the excise duty is the retail price of cigarettes, which is determined by the manufacturer or importer of the cigarettes. If the calculated excise duty on cigarettes, smoking tobacco and other tobacco products is lower than the minimum excise duty determined

by this law, the minimum excise duty is paid. Imported and domestically produced cigarettes are subject to a specific excise tax, the amount of which is determined by the excise tax calendar, which adjusts excise tax rates twice a year. The last adjustment of cigarette prices took place in May 2024, when cigarette prices were adjusted to the annual inflation rate. In addition, an excise tax of 33% is paid (ad valorem tax). An ad valorem excise tax is calculated on the basis of the retail price of cigarettes, which is set by the manufacturer or importer of cigarettes.

Table 14 provides an overview of the specific excise tax amounts on cigarettes for the period from 2018 to 2025. This steady increase in excise taxes reflects a common fiscal strategy aimed at several policy objectives. These changes aim to align the level of excise duty with EU Directive 2011/64/EU, which requires the state to collect at least EUR 90 per 1,000 cigarettes or EUR 1.8 per pack by 2024.

*Table 14 Specific excise tax amount 2018-2025*

<b>Year</b>	<b>Amount per pack</b>	<b>Amount per pack</b>
<b>2018</b>	<b>(in RSD)</b>	<b>(in EUR)</b>
1) January 1 to March 16, 2018	67.00	0.57
2) March 17 to June 30, 2018	67.67	0.57
3) July 1 to December 31, 2018	69.19	0.58
<b>2019</b>		
1) January 1 to June 30, 2019	70.70	0.60
2) July 1 to December 31, 2019	72.22	0.61
<b>2020</b>		
1) January 1 to June 30, 2020	73.73	0.63
2) July 1 to December 31, 2020	75.25	0.64
<b>2021</b>		
1) January 1 to June 30, 2021	76.75	0.65
2) July 1 to December 31, 2021	78.25	0.66
<b>2022</b>		
1) January 1 to June 30, 2022	79.75	0.68
2) July 1 to December 31, 2022	81.25	0.69
<b>2023</b>		
1) January 1 to June 30, 2023	82.75	0.70
2) July 1 to September 30, 2023	84.25	0.72
3) October 1 to December 31, 2023	90.99	0.78
<b>2024</b>		
1) January 1 to April 30, 2024	92.61	0.79
2) May 1 to June 30, 2024	97.70	0.83
3) July 1 to December 31, 2024	99.41	0.85
<b>2025</b>		
1) January 1 to June 30, 2025	101.12	0.86
2) From July 1, 2025	102.83	0.88

Source: Excise Tax Law of the Republic of Serbia, 2024

As of October 2024, the excise tax on 1,000 cigarettes is approximately EUR 93.25 (authors' calculation based on the Excise Tax Law of the Republic of Serbia, the

current best-selling cigarette and the official average exchange rate of Serbian RSD to EUR). This amount is still below the minimum amount prescribed by Directive 2011/64/EU. The shortfall makes it clear that further adjustments to EU standards are required. Achieving the prescribed excise duty level is not only a regulatory requirement, but also a decisive step towards reducing tobacco consumption in Serbia.

Table 15 shows the cigarette price structure for one of the three best-selling brands on the market, L&M Loft XL (Blue), which will have the same weighted average price in 2024 as the legislation mentioned above. The calculation is based on the price per pack in 2024 as determined by the Serbian Tobacco Administration.

*Table 15 Sample calculation for a pack of L&M Loft XL (Blue), 2024*

Retail Selling Price (excluding taxes/net of tax)	81.79 RSD	0.70 EUR
+Excise duty – <i>specific</i>	99.41 RSD	0.85 EUR
+Excise duty – <i>ad valorem</i> (33%)	118.80 RSD	1.02 EUR
Total excise duty:	218.81 RSD	1.87 EUR
= Price (excluding VAT)	300.00 RSD	2.56 EUR
+ VAT 20%	60.00 RSD	0.51 EUR
<b>= Retail Price (including all taxes)</b>	<b>360.00 RSD</b>	<b>3.08 EUR</b>

Source: Authors' calculation

Excise duty on heated tobacco is paid per kilogram of tobacco mixture, in the amount of:

- 60% of the minimum excise duty on 1,000 cigarettes determined for the category of average weighted retail price of cigarettes, for the period from January 1 to December 31, 2021;
- 70% for the period from January 1 to December 31, 2022;
- 80% for the period from January 1 to December 31, 2023;
- 90% for the period from January 1 to December 31, 2024;
- 100% from January 1, 2025.

The excise duty on cigars and cigarillos is RSD 28.46 (EUR 0.24) per unit. The excise tax on smoking tobacco and other tobacco products is 43%, and the basis for calculating the excise tax is the retail price per kilogram.

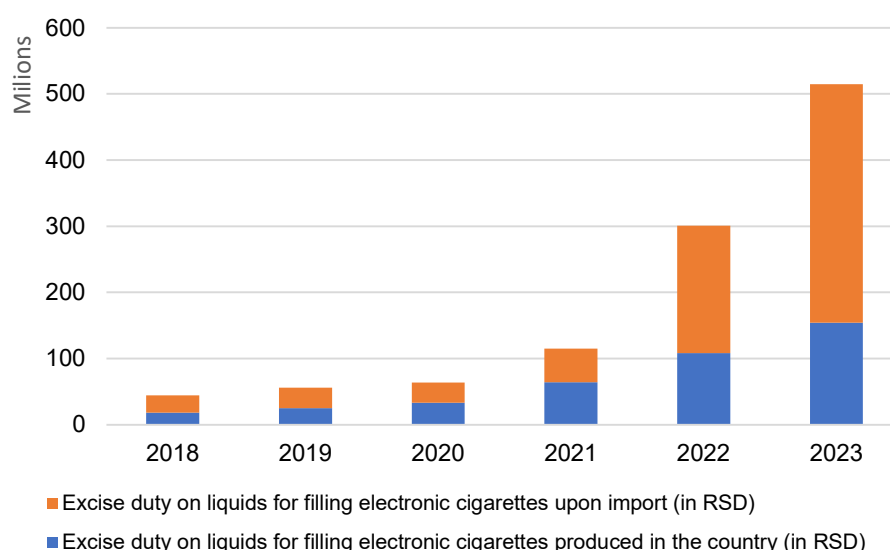
Excise duty on liquids for filling electronic cigarettes is paid per milliliter (equivalent to 5 cigarette sticks) as follows:

- from January 1 to December 31, 2021, in the amount of 6.00 RSD/ml;
- from January 1 to December 31, 2022, in the amount of 7.00 RSD/ml;
- from January 1 to September 30, 2023, in the amount of 8.00 RSD/ml;
- from October 1 to December 31, 2023, in the amount of 8.64 RSD/ml;
- from January 1 to December 31, 2024, in the amount of 9.72 RSD/ml;
- from January 1, 2025, in the amount of 10.80 RSD/ml.

The amount of 10.8 RSD /ml corresponds to 18.46 EUR per 1000 sticks of cigarettes.

Figure 21 illustrates the increase in excise duty on domestically produced and imported liquids for filling electronic cigarettes into Serbia during the observed period. The data indicates a steady increase in excise duty payments for both categories, with a particularly strong increase in duties on imported liquids. Excise duty on imported liquids increased from RSD 26,391,000 (approx. EUR 225,487.01) in 2018 to RSD 360,259,000 (approx. EUR 3,078,084.41) in 2023, a remarkable increase of 1,265.

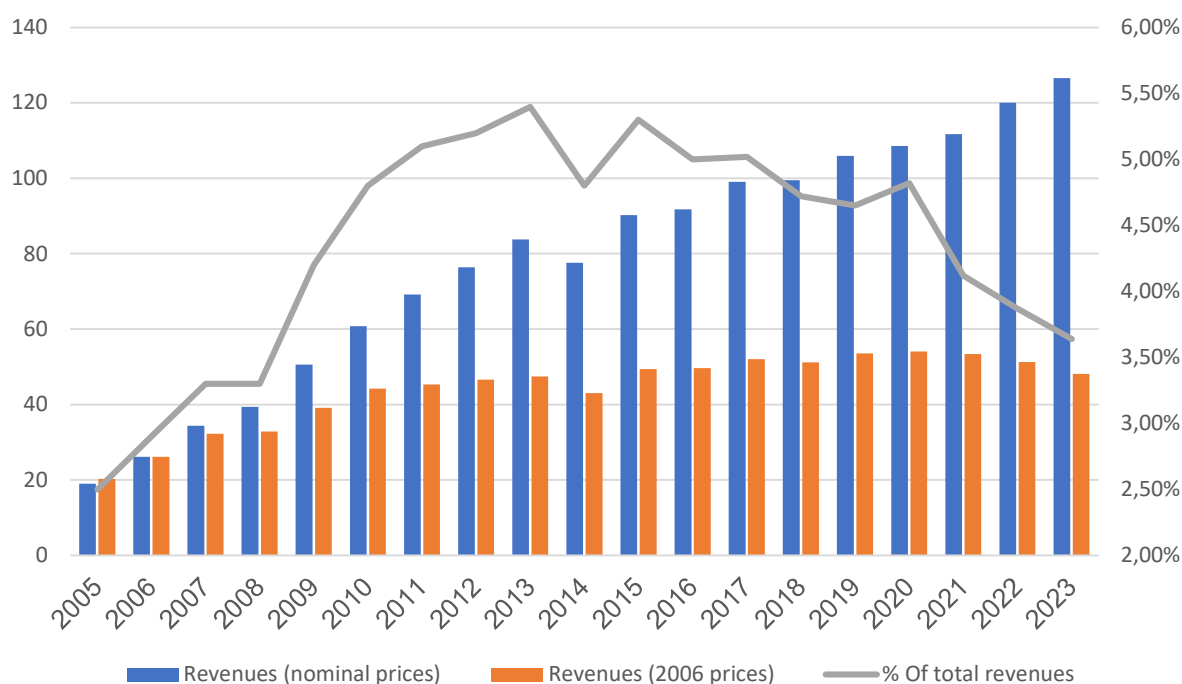
*Figure 21 Duty paid on liquids for filling electronic cigarettes produced in the country and upon import in Serbia (2018-2023)*



Source: Serbian Treasury Administration, 2024

From 2005 to 2023, revenue from excise duties on tobacco products showed constant annual growth, with the sole exception of 2014, when there was a slight decline compared to the previous year. In 2023, the total revenue from excise duties on tobacco products amounted to EUR 1,079,386,780. This is a significant increase compared to 2005, when revenue amounted to EUR 229,479,455, which corresponds to growth of 370.36% or EUR 849,907,325 (Figure 22).

*Figure 22 Tobacco excise revenues to National Budget (bil. RSD)*



Source: Ministry of Finance of the Republic of Serbia, 2024; Authors' calculation

Note: Official statistics provide data only in the national currency. The EUR amounts were calculated by the author using the RSD/EUR exchange rate averages for 2005 and 2023.

The law amending the Tobacco Act of October 2023 defines a new tobacco product, the nicotine pouch. The excise duty on nicotine pouches is paid per kilogram of net weight contained in the nicotine pouches in the amount of RSD 4,500.00/kg. The obligation to pay excise duty on nicotine pouches arose on January 1, 2024.

Other important legislative updates include the Act amending the Excise Tax Act, which introduces the E-Excise system, which will come into force on 1 October 2024 and is a centralized information system managed by the Ministry of Finance. It retrieves data from registers kept by the competent authorities, as well as data on excisable goods, taxpayers and participants in trade. This system facilitates the electronic application for the issuance of excise stamps and excise warehouse permits, as well as the management of business processes and communication between users. It also manages the business processes and communication between users of the e-excise system in relation to excise goods and collects, stores and processes data on the movement of excise goods.

The taxable person is obliged to affix an excise duty control mark or an excise duty control mark with a QR code to each of these goods individually during the production, before import or before placing cigarettes on the market. The obligation to use excise stamps with QR codes will begin on January 1, 2025. When manufacturing, importing or, at the latest, importing at the place of customs clearance, the excise tax payer must first scan the QR code on the excise stamp for each of these products individually and enter additional information into the e-excise system, including the product description, the place of manufacture, the date and time of manufacture, information about the production line, information about the market where the product is sold, as well as the brand code and the name of the product. After scanning the QR code for the first time, operators must scan the QR code on the excise stamp each time the product is

received and immediately transmit the data on the scanned QR codes on the excise stamps via the e-excise system.

## **5.2 Non-price policy interventions**

In Serbia, there have been several attempts to introduce a total ban on smoking in public spaces, including cafes, bars, restaurants and other indoor spaces that are not regulated by the Law on Protection of the Population from Exposure to Tobacco Smoke. According to the law, smoking is prohibited in all workplaces in enclosed spaces and in public spaces, in functional parts of spaces where health, education, childcare and social protection activities are carried out, including the courtyard area, as well as in open spaces for theater, cinema and other types of performances. Smoking is also prohibited on public transportation. Exempt from the smoking ban in workplaces and public spaces are places where food or drinks are served and accommodation establishments. The most recent attempt was initiated in 2023 by former Health Minister Dr. Danica Grujičić, who told the media that the proposed law on a total ban on smoking in public places had been finalized and submitted to other ministries for adaptation. However, the law has not yet been passed. However, a survey conducted by the Institute of Economic Sciences on smokers' attitudes to control measures has shown that there is strong support for the introduction of such a ban. According to a large-scale survey of 1000 adult smokers, 40.4% of respondents were in favor of a complete ban on smoking and vaping indoors. In addition, 26.2% said they would cut down on smoking and 3.9% said they would probably stop smoking if such a policy was implemented. A proposed 20% increase in the price of tobacco products was only supported by 13.6%. However, this figure rose to 40.3% when participants were informed that the government revenue from the price increase would go towards health, education and social welfare.

Data on attitudes towards the smoking ban provided by the Institute of Public Health "Dr. Milan Jovanović Batut" in 2023 showed that 76.9% of respondents supported the implementation of the existing law on the smoking ban, while only 12% believed that the law would be fully complied with. Respondents were also largely in favor of laws to protect children from tobacco smoke in various areas: Outdoor sports facilities (44%), parks (47%), children's playgrounds (70%) and cars in the presence of minors (78%). Smoking is prohibited in less than a fifth of households, while it is permitted in all rooms in 33% of households.

Public health measures in Serbia include educational programs to prevent tobacco use among primary and secondary school students, implemented and supported by the Ministry of Education. Local and international non-governmental organizations also run socially responsible programs to combat tobacco use among young people. For example, the Mission: Oxygen program aimed to improve law enforcement with a focus on educating young people in Serbia about the full extent of the harm associated with tobacco smoke in a way they could understand.

In recent years, efforts have been made to intensify non-price tobacco control measures in order to reduce the prevalence of smoking. One of these measures is a toll-free smoking cessation telephone helpline, which was opened by the Serbian Institute of Public Health in June 2022 and is staffed by live operators. This helpline offers callers a dedicated platform to discuss smoking cessation strategies. The aim is to further motivate and support smokers who have decided to quit, as well as those who have already quit and want to maintain their non-

smoking status. The Institute has reported that residents of Serbia from different age groups have sought advice through this free hotline, with health concerns being the main motivation for most to quit smoking. The counselors' support was sought not only by smokers and former smokers, but also by people concerned about the health of close contacts who continue to smoke. In addition, the Institute launched an online support platform in September 2023 to help individuals in their efforts to quit smoking.



## 6. ESTIMATES OF ILLICIT PRODUCTION AND TRADE

The World Health Organization's Framework Convention on Tobacco Control (FCTC) came into force in Serbia on 9 May 2006. On April 25, 2017, Serbia became the 28th country to ratify the Protocol to Eliminate Illicit Trade in Tobacco Products.

In Serbia, illegal tobacco cultivation takes place on unregistered plantations, where growers have failed to report their activities to the tobacco administration. The tobacco grown in this way is intended for sale on the illegal market.

In 2023, the identified areas for illicit tobacco cultivation in Serbia amounted to only 24.3 hectares, which is only a fraction compared to the 7,023 hectares of legally harvested tobacco. Table 16 contains data on the control of illegal tobacco production carried out by the Plant Protection Inspectorate of the Directorate for Plant Protection of the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia together with employees of the Ministry of Interior. The table contains data on the identified areas with illegal tobacco cultivation (ha) from 2018 to 2023 and the estimate of the amount of eradicated illegal tobacco planted in the respective areas (ha). It was only possible to provide an estimate of the amount of eradicated illicit tobacco, as the eradication of illicit tobacco plantations was done by plowing or uprooting, making it impossible to measure the exact amount of tobacco in the illicit areas.

Accordingly, the Plant Protection Directorate could not accurately state the equivalent yield of tobacco in tons from these areas during the observed period. Instead, it was only possible to estimate the expected yield based on the multi-year average per hectare of cultivated land, which in this case is between 1.7 and 2.0 kg/ha.

*Table 16 Identified Areas of Illegal Tobacco Plantations (ha) from 2018 to 2023.*

Year	Area (ha)
2018	67.3
2019	44.7
2020	81.5
2021	86.2
2022	15.0
2023	24.3

Source: Plant Protection Directorate, 2024

Customs administration data shows a significant increase in the seizure of illegal tobacco products between 2018 and 2023. The most striking observation is the dramatic increase in the number of cigarettes seized. The relatively stable trend reversed drastically in 2022. The upward trend continued in 2023 (Table 17).

The significant increase in seizures in 2022 and 2023, especially for cigarettes, could be due to several factors, including increased efforts and cooperation with the Serbian Ministry of Interior and foreign partners involved in anti-smuggling operations. In 2022, the Serbian Customs Administration managed to seize a record 50 tons of undeclared cigarettes of various brands, disrupting an organized chain of illegal cigarette trafficking. It was estimated that the 50 tons correspond to a mass of almost 40 million pieces of illegal cigarettes, which would be the largest single seizure of cigarettes ever

recorded at the borders of Serbia. The seizure of hand rolled tobacco shows a similar, albeit less pronounced, trend.

*Table 17 Confiscated - illegal tobacco products, 2018-2023 (million sticks)*

Item/Year	2018	2019	2020	2021	2022	2023
<b>Cigarettes (pieces)</b>	1.09	4.31	4.15	1.02	63.770	111.92
<b>Hand rolled tobacco (kg)</b>	212	492	13,824	757	188	2,821

Source: Serbian Customs Administration, 2024

The research conducted by the Institute of Economic Sciences contributes to a better understanding of the illicit tobacco trade in Serbia. The study on tobacco tax avoidance and evasion in Serbia, published in 2021, was the first research to assess the scope and specifics of the illicit market for manufactured tobacco (MC) and hand-rolled tobacco (HR) in Serbia. The data for the study came from the Survey on Tobacco Consumption in Southeast Europe (STC-SEE) conducted by the Institute of Economic Sciences in 2019. The 2019 STC-SEE survey conducted in Serbia included a sample size of 2,000 adult respondents aged 18 to 85. All study participants who currently use tobacco products were asked about the details of their last purchase, including details of health warning labels (HWL), tax stamps, pack prices and place of purchase. The final sample of MC smokers comprised 675 observations, while the final sample of HR smokers comprised 70 observations.

Based on the research findings, it was concluded that the Serbian MC market is predominantly legal, with around 2.6% of MC smokers evading taxes – a relatively low rate by European standards. Taking smoking intensity into account, the overall proportion of illegal MC consumption was found to account for 2.4% of the MC market. In contrast, the research results showed that the HR tobacco market had extremely high levels of tax evasion, with almost nine out of ten HR smokers consuming illegal HR tobacco (around 88.2% of HR smokers consumed illegal HR tobacco, which accounted for 90.7% of total HR tobacco consumption). A comprehensive analysis of factors influencing tobacco tax evasion in Serbia, including demographic and geographical differences in illicit consumption, can be found in Section II of the Annex.

As this is the only study of illicit tobacco trade in Serbia, we lack the data necessary to analyze trends over time or to determine whether illicit trade has increased following an increase in excise tax or at certain excise tax thresholds. A similar study entitled “Balkan Smugg – Smuggling of Tobacco Along the Balkan Route” was conducted in 2019 by the Institute of Economics, Zagreb. According to this study, the percentage of smokers in Serbia who usually buy tobacco (MC and HR) on the gray market is higher at 6.5 %. However, this data should be interpreted with caution as the study was funded by PMI IMPACT, although the authors have stated that their research was conducted completely independently of PMI.

## 7. SUMMARY AND RECOMMENDATIONS

This study recommends focusing on the following main areas for policy action:

Serbia is determined to achieve its strategic goal of EU accession, which requires harmonization of its regulations with those of the EU, including the Tobacco Tax Directive.

- **Adjust Tax Policy:** Serbia must increase its tax rates to bring them into line with EU standards. The overall excise tax rate should be raised to over EUR 90 per 1,000 cigarettes to compensate for inflation and aim for a new EU standard of EUR 220. The current rate of just over EUR 93.5 is a notable increase from the rate of EUR 62 reported in the first national study of 2018 but is still below the average for EU countries. The current excise tax calendar does not sufficiently raise the overall tax burden, and its predictability mitigates the impact of price increases.

Since 2018, there has been progress in designating funds for tobacco control programs.

- **Increasing transparency** in the distribution of the tobacco tax collected. There is still insufficient transparency in the distribution of tobacco excise revenue collected, as there is still no publicly available data on how this revenue is allocated or spent.
- Although progress has been made in allocating funds to tobacco control programs, including the establishment of a toll-free telephone helpline for smoking cessation and an online platform to help individuals quit smoking, further efforts are needed. In particular, more focus should be directed toward **informing young people** about the harmful effects of tobacco products, especially alternative products such as heated tobacco, which is becoming increasingly popular among the younger generation.

Considerable progress has been made in the field of tobacco tax research since 2018. However, further progress is still needed.

- **Promote high-quality research:** Promoting high-quality tobacco taxation research among academics and researchers could provide valuable insights to policy makers, facilitating the implementation of more effective tax policies. The focus should be on selecting and utilizing the highest quality research data to significantly improve the continuity and transparency of public policy and action related to tobacco taxation.

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## APPENDIX

### SECTION I

Table A Most sold hand rolled tobacco brands in Serbia 2018-2023

Year	Hand rolled tobacco	End year price (RSD/kg)
2018	Pall Mall Blue (hand rolled tobacco - L)	9.666,67
	George Karelias & Sons Hrt	11.200,00
	Drum Original	10.750,00
2019	Drum Original	11.000,00
	Pall Mall Blue (Hand Rolled Tobacco - L)	10.333,33
	Golden Virginia	14.400,00
2020	Drum Original	11.250,00
	Golden Virginia	14.800,00
	George Karelias & Sons Hrt	13.200,00
2021	Pall Mall Blue (Hand Rolled Tobacco - L)	11.666,67
	Pall Mall Red (Hand Rolled Tobacco - L)	11.666,67
	George Karelias & Sons Hrt	13.600,00
2022	Al Fakher Mix 1000	2.600,00
	George Karelias & Sons Hrt	14.000,00
	Pall Mall Blue (Hand Rolled Tobacco - L)	12.333,33
2023	George Karelias & Sons Hrt	14.800,00
	Camel (Original)	14.000,00
	Pall Mall Blue (Hand Rolled Tobacco - L)	13.000,00

Source: Serbian Tobacco Administration

Table B Most sold heated tobacco product brands in Serbia 2018-2023

Year	Heated tobacco products	End year price (RSD/kg of tobacco mixture)
2018	Heets From Marlboro (Amber)	44.262,33
	Heets From Marlboro (Yellow)	44.262,33
	Heets From Marlboro (Turquoise)	44.262,33
2019	Heets (Amber Label)	47.540,98
	Heets (Yellow Label)	47.540,98
	Heets (Sienna Label)	47.540,98
2020	Heets (Amber Selection)	50.819,68
	Heets (Sienna Selection)	50.819,68
	Heets (Yellow Selection)	50.819,68
2021	Heets (Amber Selection, S)	60.377,36
	Heets (Sienna Selection, S)	60.377,36
	Heets (Yellow Selection, S)	60.377,36
2022	Heets (Amber Selection, S)	62.264,15
	Heets (Purple Wave, S)	61.111,11
	Heets (Silver Selection)	62.264,15
2023	Heets (Purple Wave, S)	64.814,81
	Heets (Turquoise Selection, S)	64.814,81
	Heets (Silver Selection)	66.037,74

Source: Serbian Tobacco Administration

Table C Most sold chewing tobacco brands in Serbia and their retail prices, 2018-2023

Year	Chewing tobacco	RP (RSD/kg)
2018	General Cut Titanium White	55.555,56;
	Oden's Double Mint Extreme White Portion 20g	31.500,00
	Oden's Cold Extreme White Portion 20g	31.500,00
2019	Oden's Double Mint Extreme White Portion 20g	31.500,00;
		52.000,00
	Oden's Cold Extreme White Portion 20g	31.500,00;
		52.000,00
2020	Thunder Frosted	68.181,82
	Oden's Cold Extreme White Portion 20g	52.000,00
	Oden's Double Mint Extreme White Portion 20g	52.000,00
	Thunder Frosted Slim	87,121,21
2021	Oden's Cold Extreme White Portion 20g	52.000,00
	Oden's Double Mint Extreme White Portion 20g	52.000,00
	/	/
2022	Oden's Cold Extreme White Portion 20g	52.000,00
	/	/
	/	/
2023	/	/
	/	/
	/	/

Source: Serbian Tobacco Administration

Table D Most sold pipe tobacco brands in Serbia and their retail prices, 2018-2023

Year	Pipe tobacco	End year price (RSD/kg)
2018	Stanwell Vanilla	13.000,00
	Stanwell Mélange	13.000,00
	Clan Aromatic	12.000,00
2019	Stanwell Vanilla	13.000,00
	Clan Aromatic	12.000,00
	W.Ø. Larsen The Masters Blend Golden Dream	15.000,00
2020	Stanwell Vanilla	14.000,00
	Clan Aromatic	13.000,00
	Stanwell Mélange	14.000,00
2021	Stanwell Vanilla	15.000,00
	Clan Aromatic	14.000,00
	W.Ø. Larsen The Masters Blend Golden Dream	17.000,00
2022	Stanwell Vanilla	15.000,00
	Clan Aromatic	14.000,00
	Stanwell Mélange	15.000,00
2023	Stanwell Vanilla	17.000,00
	Clan Aromatic	16.000,00
	W.Ø. Larsen The Masters Blend Golden Dream	20.000,00

Source: Serbian Tobacco Administration



Table E Most sold brands of cigars in Serbia and their retail prices, 2018-2023

Year	Cigars	End year price (RSD/piece)
2018	Toscanello Rosso Caffè	140,00
	Cafè Creme	52,00
	Toscanello'5	130,00
2019	Toscanello Rosso Caffè	140,00
	Toscanello'5	130,00
	Toscanello Rosso Caffè Macchiato	150,00
2020	Toscanello Rosso Caffè	140,00
	Toscanello'5	130,00
	Toscanello Rosso Caffè Macchiato	150,00
2021	Toscanello Rosso Caffè	140,00
	Toscanello'5	130,00
	Toscanello Rosso Caffè Macchiato	150,00
2022	Toscanello Rosso Caffè	150,00
	Toscanello Rosso Caffè Macchiato	160,00
	Toscanello'5	140,00
2023	Toscanello Rosso Caffè	160,00
	Toscanello Rosso Caffè Macchiato	170,00
	Toscanello'5	150,00

Source: Serbian Tobacco Administration

Table F Most sold brands of cigarillos in Serbia and their retail prices, 2018-2023

Year	Cigarillos	End year price (RSD/piece)
2018	Moods Filter	65,00
	Moods	62,00
	Rillos Vanilla	80,00
2019	Moods Filter	73,00
	Moods	70,00
	Rillos Classic	80,00
2020	Moods Filter	73,00
	Moods	70,00
	Moods Silver	60,00
2021	Moods Filter	73,00
	Moods Filter 5	76,00
	Moods	70,00
2022	Moods Filter 5	80,00
	Moods Filter	75,00
	Moods 5	76,00
2023	Moods Filter 5	84,00
	Moods Filter	78,00
	Moods 5	80,00

Source: Serbian Tobacco Administration

## SECTION II

Other major conclusions of the Study of Tobacco Tax Avoidance and Evasion in Serbia indicated that evasion was more prevalent in border municipalities, suggesting that proximity to a border was an important factor for illicit status. Older smokers (over 55 years) were more likely to consume illicit MC (6.9%) compared to younger smokers (0.7%). Similarly, the consumption of illicit HR tobacco was higher among smokers aged 55 and above (98.6%) compared to younger smokers (71.6%). Male smokers were more likely to use HR tobacco packs without appropriate health warnings than female smokers (65.2% vs. 34.5%, respectively), and smokers in rural areas were more likely than those in urban areas (56.9% vs. 43.1%, respectively) to do the same. The proportion of illicit MC and HR tobacco packs among smokers with a monthly household income below EUR200 was 10.1% and 93.8%, respectively, which was considerably higher than the average.

Photo 1 - A photo of an MC smoker's last-purchased pack



Source: Survey on Tobacco Consumption in Southeastern Europe (STC-SEE)

Photo 2 - Photo of respondents' last-purchased package of HR tobacco



Source: Survey on Tobacco Consumption in Southeastern Europe (STC-SEE)

Photo 3 - Photo of respondents' last-purchased package of HR tobacco



Source: Survey on Tobacco Consumption in Southeastern Europe (STC-SEE)

Photo 4 - Photo of respondents' last-purchased package of HR tobacco



Source: Survey on Tobacco Consumption in Southeastern Europe (STC-SEE)