

TOBACCO INDUSTRY

2.00

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary for all relevant public institutions to continue to focus on an efficient implementation of the law in order to combat the illegal tobacco market, which has a significant negative effect on all of society. The Foreign Investors Council also supports efforts of the Serbian Government in combating the illicit trade in tobacco and tobacco products and proposes once again the formation of a special department within the Prosecutor's Office which would be responsible for excise goods.	2024		√	
Continue with the open dialogue between the Government of Serbia and the tobacco industry in all important matters concerning business conditions in the tobacco product market. The Foreign Investors Council strongly supports this kind of dialogue, based on the principles of participation, transparency, accountability, effectiveness, and coherence.	2024		√	
The current excise calendar is set to expire at the end of 2025. It is necessary to continue a responsible and consistent excise policy that ensures predictability for all actors in the tobacco industry's production and distribution chain, anticipates gradual increases in excise burdens, and considers the different risk profiles of the products involved. Such an approach would ensure stable budget revenues and prevent the growth of illegal flows within the industry.	2024		√	
Innovations in science and technology, along with the application of the highest standards in the tobacco industry, have contributed to the development of new categories of tobacco and related products that can reduce the negative effects compared to cigarette consumption. When creating a regulatory framework, it is important for the legislator to recognize the unique characteristics and specificities of these products, consider existing scientific evidence, and apply the principles of proportionality so that consumers have adequate access to information and can make informed decisions.	2024		√	

CURRENT SITUATION

The tobacco industry represents a stable and reasonably regulated sector that contributes, on average, 8% of the total revenue to the budget of the Republic of Serbia each year. Three multinational companies, along with one domestic producer are operating in Serbia. These companies directly employ more than 2,000 people and indirectly additional 5,000. When firms that support the tobacco industry's operations, such as distributors, retailers, and others are included, this number is significantly higher.

In the first six months of 2025, over one billion cigarette packs were produced, representing a 4% increase compared to the same period of the previous year. However, domestic sales in Serbia declined by 2% during the same timeframe. The total foreign trade in tobacco and

tobacco-related products amounted to €546.6 million, of which exports accounted for €329.6 million, while imports reached €217 million, resulting in a trade surplus of approximately €112.6 million.

Between 2020 and 2024, tobacco cultivation in Serbia was carried out on an average annual area of 4,338 hectares. In 2025, this figure increased to 5,014 hectares. The value of tobacco exports in the first six months of 2025 rose by 26.5% compared to the same period of the previous year, while imports increased by 35%.

An illegal market for tobacco and tobacco products persists in Serbia, and its suppression has been designated a government priority through the establishment of a Working Group for Combating Tobacco Smuggling (Government Decision published in the "Official Gazette of the Repub-

lic of Serbia,” No. 47/16). Revenue from excise duties and VAT on tobacco products amounted to RSD 176.6 billion in 2024, compared to RSD 165.6 billion in 2023.

For Serbia, it is therefore of strategic importance to maintain control over domestic tobacco production, especially considering that approximately three-quarters of the illicit market consists of cut tobacco rather than cigarettes. Nevertheless, the efforts of state authorities, led by the Ministry of Interior, Customs Administration, Market, Phytosanitary, and Agricultural Inspections, together with industry representatives, have yielded visible results in curbing illegal production and trade in tobacco and tobacco products, with the aim of minimizing the negative impact on budgetary revenues.

POSITIVE DEVELOPMENTS

Amendments to the Tobacco Law, effective as of November 2023, introduced definitions for new tobacco and nicotine products, including non-combustible tobacco and related items such as electronic cigarettes, nicotine pouches, herbal products intended for smoking or heating, and hookah flavorings. This Law also introduced the definition of an electronic device for heating tobacco or herbal products.

Given the global commitment of the tobacco industry to the concept of harm reduction through the development of alternative products with reduced health risks compared to conventional cigarettes, Serbia’s adoption of a unified regulatory framework—unique within the region—has encouraged industry transformation. A noticeable increase in the number of users of smoke-free and alternative nicotine and tobacco products has been observed, reflecting growing awareness among adult consumers about the harmful effects of tobacco smoke and the availability of proven, less harmful alternatives.

Thanks to continuous investment in innovation, the industry has undergone significant transformation, while several countries have recognized the potential of harm reduction and taken concrete steps toward its regulatory integration. In certain cases, such measures have led to a decrease in overall smoking prevalence. Sweden stands out as a model of good practice—by incorporating harm reduction into its regulatory framework, it has achieved a smoking rate below 5%, becoming the world’s first smoke-free nation. By recognizing and adequately regulating all categories of alternative nicotine and tobacco products, Serbia has laid the founda-

tion for a long-term reduction in the number of smokers.

The Law also regulates the registration of manufacturers and importers of related products and introduces additional restrictions on the sale of tobacco and related items, most notably the explicit prohibition of sales to minors. As products containing nicotine or tobacco are intended exclusively for adult users, this regulatory framework supports the principle of responsible marketing and demonstrates a strong commitment to prevention and the restriction of access to tobacco and nicotine products by minors.

The Excise Law regulated the consistent implementation of a five-year excise calendar and has introduced the e-Excise System, which digitizes the processes of ordering and applying excise control stamps with QR codes for tobacco products. The mandatory use of these stamps came into effect on January 1, 2025.

Amendments to the Excise Law also established a traceability system for tobacco products throughout the production and supply chain in Serbia, modeled after systems in the European Union—commonly referred to as the Track and Trace system. This module, designed to monitor the movement of cigarettes and non-combustible tobacco throughout the distribution chain, will enhance trade transparency by identifying the current location and historical movement of each individual and aggregated package from the production line to the first retail outlet. With implementation beginning in October, these two systems will significantly facilitate the work of inspection authorities.

In the fourth quarter of 2025, the adoption of a new five-year excise calendar is expected, aimed at ensuring continued transparency and predictability in the operations of the tobacco industry.

REMAINING ISSUES

In addition to market stabilization, the negative impact of the illegal market for cut tobacco remains evident, threatening the sustainability of the entire supply chain within the tobacco industry, as well as employment and GDP, which are directly influenced by the production and distribution chain of tobacco products.

It is estimated that the size of the illicit tobacco market in Serbia amounted to approximately 13% in 2024, indicating a continued decline compared to previous years. Of

the total volume of illegal trade, three-quarters consist of leaf tobacco and cut tobacco of domestic origin, while the remainder comprises illicit cigarettes that are either unmarked or bear tax stamps from neighbouring markets with lower excise duties.

Moreover, the illegal sale of tobacco products negatively impacts consumers due to unknown origins, uncontrolled production, storage, and transport conditions, and the fact that illegal tobacco products are accessible to minors, do not contain legally required health warnings, and are illegally advertised. The Government of the Republic of Serbia is making significant efforts to combat the illegal trade of tobacco products, as evidenced by the quantities of seized tobacco and cigarettes and the continuously increasing number of proceedings against various perpetrators of the criminal offense of illegal trade in tobacco and tobacco products. However, there is still a noticeable lack of adequate prosecution by the public prosecutor's office and the courts.

The tobacco industry in Serbia strongly supports the prohibition of sales of tobacco and nicotine products to minors

and advocates for the consistent enforcement of existing legal provisions. Although the regulatory framework is clearly defined, its effective implementation requires additional efforts, including enhanced monitoring and inspection. Consistent application of the law, supported by both industry stakeholders and competent authorities, is essential to prevent the availability of tobacco and nicotine products to minors and to safeguard public health.

It is necessary to elevate the level of transparent communication regarding scientific findings related to alternative tobacco and nicotine products among all relevant stakeholders—policymakers, the scientific community, industry representatives, and the general public—in order to ensure accurate and reliable information. It is also necessary to encourage studies that examine the long-term effects of these products contribute to the development of evidence-based regulatory policies. An approach that combines strict quality control, impact monitoring, and open dialogue with the scientific community can help reduce the negative consequences of tobacco consumption within the population.

FIC RECOMMENDATIONS

- It is essential that all relevant state institutions maintain a strong focus on the effective enforcement of legislation aimed at combating the illicit tobacco market, which has significant adverse effects on society as a whole. The Foreign Investors Council also supports the efforts of the Government of the Republic of Serbia in curbing illegal trade in tobacco, tobacco-related, and nicotine products, and proposes the establishment of a dedicated Prosecutor's Office unit responsible for excise goods.
- To enhance the protection of minors, it is necessary to strengthen the capacities of competent inspection services, ensure continuous training and coordination among relevant institutions, and conduct regular inspections in retail outlets.
- The practice of open dialogue between the Government of the Republic of Serbia and the tobacco industry should be continued on all key issues related to market conditions for tobacco products. The Foreign Investors Council strongly supports such dialogue, based on the principles of participation, transparency, accountability, efficiency, and coherence, as disproportionate legislative changes could further distort the legal tobacco market and lead to the expansion of illicit trade.
- The current excise calendar expires at the end of 2025. A continuation of responsible and consistent excise policy is needed to ensure predictability for all stakeholders in the tobacco production and distribution chain. This policy should include gradual increases in excise burdens and take into account the varying risk profiles of the products involved. Given that the existing excise calendar has yielded excellent results in terms of tax revenue and market stability, the Foreign Investors Council believes it should be extended with the same structure and annual

increments. Such an approach would ensure stable budget revenues and prevent the growth of illicit flows within the industry.

- Scientific and technological innovations, along with the application of the highest industry standards, have contributed to the development of new categories of tobacco and related products that may reduce the negative effects compared to cigarette consumption. When designing the regulatory framework, it is important for legislators to recognize the unique characteristics and specificities of these products, acknowledge existing scientific evidence, and apply the principle of proportionality to ensure that consumers have adequate access to information and can make informed decisions.

Disclaimer: At the time of concluding this text, preparations for a new five-year excise calendar are underway, with the proposed changes to be addressed in the next edition of the White Book.