

EXCISE DUTIES - TOBACCO AND NICOTINE

Information note – The tax on e-liquids

On 21 December 2024, Law 7/2024 of 20 December 2024 was published, introducing the **excise tax on liquids used in electronic cigarettes and other nicotine-related products**.

This tax responds to the sustained growth in the consumption of vaping devices and the like, and aims to tax products that until now were not part of the objective scope of the Tax on Tobacco Products (ILT).

The approval of this tax is part of an effort to adapt taxation to an industry in constant evolution. According to reports from organizations such as the World Health Organization (WHO) and the Centers for Disease Control and Prevention (CDC), since 2010 there has been a significant increase in the use of electronic devices for nicotine inhalation, while traditional tobacco consumption has experienced a notable decrease.

Faced with this reality, it has been decided to approve a specific tax on the consumption of these products, as a result of their potential negative impact on consumer health and their repercussions on national health systems.

The tax falls on three broad categories of products: e-cigarette liquids, nicotine pouches and other similar products that contain this substance but are not classified as medicines or traditional tobacco.

As it is a local tax that is not harmonised at EU level, its **scope of application** is limited to the mainland and the Balearic Islands, excluding the Canary Islands, Ceuta and Melilla. This exclusion responds to the fact that

these three territories have their own regulations on ILT.

Although initially, the **entry into force** was scheduled for **April 1, 2025**, while Royal Decree-Law 9/2024, approved on December 23, sets the deadline for complying with the obligations related to the settlement of the tax by those companies that held stocks of the taxed products on the date of entry into force of the tax, as well as the deadline for filing the self-assessment corresponding to the months of April, May and June 2025.

As with other excise duties, **the manufacture, import and introduction of these products into Spanish territory is taxed, as well as their irregular introduction**.

Taxpayers are manufacturers, importers, distributors and those who market these products without proving the payment of the corresponding tax.

Following the general trend for **electronic platforms**, it is expected that they will be considered as taxable persons when they facilitate the delivery of these products.

The **calculation of the tax** varies depending on the type of product:

- For **e-cigarette liquids**, the taxable base is determined in millilitres, with a rate of €0.15/ml for liquids with up to 15 mg/ml of nicotine and €0.20/ml for those with higher concentrations.
- In the case of **nicotine bags and other similar products**, the taxable base is set in grams, with a tax rate of €0.10/g.

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Like any excise tax, it is important to bear in mind that this tax will be part of the VAT tax base, which implies an additional cost for final consumers. According to initial estimates, this fiscal combination could raise the price of the affected products by up to 45%.

Some specific exemptions **have been provided** to reduce the impact on certain sectors and situations. For example, travellers over the age of 17 will be able to bring in limited quantities of these products for personal use without incurring the tax. Exemptions are also contemplated for shipments between individuals on an occasional basis and for products sold in duty-free shops, provided that they are intended for consumption outside the national territory.

Those operators who on the date of entry into force of the tax had stored stocks of this type of product, will be obliged to **file an informative return** detailing the type and quantity of product subject to the tax, during the first 30 days after the entry into force of the tax.



These operators **will be obliged to self-assess the corresponding tax for** stocks

prior to the date of entry into force of the tax between 1 and 20 July.

Likewise, Royal Decree-Law 9/2024, approved on 23 December, establishes that **self-assessments corresponding to the months of April, May and June 2025**, will be filed during the first 20 days of July 2025.

As a result of the approval of this tax, manufacturers, distributors and marketers of subject products will have to review their catalogues and operating systems to ensure compliance with applicable regulations.

In this sense, the regulation provides for the possibility of implementing a **suspensive regime in the circulation and possession of the subject products**, in order to defer the payment of the tax to the moment closest to consumption, all in the image and likeness of the suspensive regime provided for with respect to excise duties.



However, as it is a tax that is not harmonised at EU level, it is a local circulation regime, which does not affect intra-Community circulation and therefore poses challenges in terms of control of the movement and movement of this type of product by international operators.

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which are obliged to design and implement internal control systems.

In addition, as it is not considered an excise duty on manufacture, unlike what happens with the suspension regime applicable to products subject to excise duties, the suspension regime applicable to this type of product will not be a suspension regime for VAT purposes.

In this way, operators who traditionally operate with products subject to the ILT, will be forced to implement new VAT management and settlement systems in the case of products subject to the tax, different from those they already have in place with respect to products subject to the ILT.

In conclusion, **this new tax poses important challenges** in terms of management and settlement of the tax, making the consumption of this type of product extremely expensive, all with the aim of regulating and supervising emerging consumption practices that pose challenges both in terms of public health

We hope that these comments are useful. For more information, please do not hesitate to contact us at the following email addresses:

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