

## Re: Application of excise tax to e-cigarettes in Italy

The following is a summary of the methodology used to calculate the rate of excise tax applied to electronic cigarettes in Italy including relevant legislation and administrative rules.

1. Italy's current tax on e-cigarettes entered into effect on 24 December 2014 through Legislative Decree No. 188 Provisions on the Taxation of Tobacco Products, Their Substitutes, and Matches in Accordance with Articles 13 of Law No. 23 of March 11, 2014. L.D. 188 contained amendments to the laws concerning taxes on production and consumption set out in Legislative Decree 25 October 1995, no. 504, as amended.
2. Article 1, paragraph 1 letter a) creates a new category of tobacco for inhalation without combustion ("*tabacchi da inalazione senza combustione*").
3. Article 1(1)(f)(1) stipulates that tobacco products for inhalation without combustion consisting of liquid substances shall be subject to an excise tax in an amount equal to 50% of the excise levied on the weighted average price of a kilogram of conventional cigarettes (i.e. 1000 units).
4. The equivalence will be determined based on average time of consumption under the same puff conditions according to specific technical procedures defined by the Director of Customs and Monopolies - *Agenzia delle Dogane e dei Monopoli* (hereafter "the Agency").
5. From January 7 to January 9, 2015, following the mandate that it was given in L.D. 188, the Agency analyzed in the laboratory of the Central Directorate for Excise Management and Tobacco Monopoly (*Direzione centrale Gestione accise e monopoli tabacchi*) five samples each of five different brands of conventional cigarettes, using the same drawing conditions and 2 second puff duration, to determine the time required to smoke each sample. These tests determined that the average time to consume a conventional tobacco cigarette was **37.91 seconds**.
6. From January 14 to January 16, 2015 similar tests were conducted for liquid substances intended for use in electronic cigarettes. Ten samples were analyzed using electronic devices with three different potencies - 10, 20 and 30 watts. The liquids contained 7 different concentrations of nicotine ranging from 4 mg per milliliter to 18 mg per ml as well as 3 samples which were nicotine free. Each sample was analyzed using 40 puffs lasting 2 seconds each. The tests were conducted using gravimetric methods (measuring depletion of weight) and yielded an average time of **213.59 seconds** to consume a milliliter of nicotine containing liquid.
7. The results of the analysis showed that a milliliter of liquid required **5.63** times the average time to consume (ATC) a conventional cigarette (213.59/37.91).

8. At the time these tests were conducted (January 2015) the excise tax per 1000 cigarettes sold at the weighted average price (WAP) in Italy was **€132.66**. The equivalent tax for tobacco products for inhalation without combustion consisting of liquid substances, therefore, is 50% of this amount, or **€66.33**.
9. To calculate the equivalency per milliliter this amount is divided by 1000 and then multiplied by 5.63 ( $66.33/1000 \times 5.63$ ). This results in an equivalent excise tax of **€0.37344** per milliliter.
10. On 20 January 2015 the Director of Customs and Monopolies issued the results of the analysis and announced the rate of excise to be applied to inhalation products without combustion containing liquid substances (Protocol 0006615).
11. "In accordance with Article 62-quarter, paragraph 1-bis of Legislative Decree 26 October 1995, no. 504, as amended, an inhalation without combustion products consisting of liquid substances, whether or not containing nicotine, excluding those allowed on the market as medicinal products within the meaning of Legislative Decree 24 April 2006, no. 219, as amended, **the consumption tax amounts to of €0.37344 per milliliter**. [emphasis added]"



**Vapor  
Products Tax**