

ADVOCACY BRIEF

The socio-economic impacts of tobacco excise

What happens when tobacco becomes unaffordable, but people continue to smoke?

Australia's tobacco excise follows a simple line of reasoning: by making smoking more unaffordable, financial pressure will make people quit. For some, this pressure does exactly that. For others, it can mean skipping meals, struggling to pay bills and debts, or turning to a rapidly growing illicit market.

80%

increase in tobacco excise
since January 2019

\$1.55274

excise per cigarette from
September 2026

5.6%

daily smoking rate in 2025,
down from 8.3% in 2023

The question policy must also ask

**What are the effects of unaffordable tobacco when
people continue to smoke?**

Tobacco excise is not designed to treat nicotine dependence or ease people out of smoking. Its mechanism is financial pressure. That makes it important to examine not only falling smoking prevalence, but also the effects on people who continue to smoke.

The burden falls hardest on people already under financial pressure

A 2025 study found that 45% of tobacco-purchasing households reported at least one indicator of financial stress, compared with 25.4% of households that did not purchase tobacco.

45%

of tobacco-purchasing
households reported financial
stress

18.7%

were unable to pay bills on time,
compared with 7.7%

6.2%

went without meals due to
financial stress, compared with
2%

High excise is also highly unequal

Smoking is now heavily concentrated among Australia's most disadvantaged communities. Daily smoking is 10.8% in the most disadvantaged areas, compared with 2.6% in the most advantaged areas - a rate 4.2 times higher.

Why this matters

When smoking is already being used to cope with financial stress, poor mental health or social exclusion, unaffordable tobacco can intensify the pressures that sustain dependence.

Financial pressure is only part of the picture

Australia has also made smoking increasingly socially unacceptable. Measures such as graphic health warnings and smoke-free areas have contributed to declining smoking rates, but research has also identified social and emotional harm among people who continue to smoke.

Stigma has been described as “virtually universal”, with people who smoke reporting that they are viewed as weak-willed, irresponsible or unable to control their behaviour. For some people this pressure may contribute to quitting. For others, it can mean shame, humiliation and isolation without providing the tools needed to reduce dependence.

A growing illicit market

As legal tobacco has become less affordable, many people have sought cheaper alternatives. Current estimates cited in the paper suggest that 55% of tobacco and 95.7% of e-cigarettes sold in Australia are illicit, while more than one third of people who currently smoke report recent illicit tobacco use - twice the level reported in 2023.

55%

estimated share of tobacco sold illicitly

290+

firebombings attributed to point-of-sale extortion

The recent NSW parliamentary inquiry into illegal tobacco outlines the role of excise in fuelling demand for illicit supply. The consequences now extend beyond lost revenue: border enforcement is under pressure, organised crime is involved in nicotine trafficking, and illicit retail markets have become associated with serious violence.

What this means for tobacco policy

These findings do not mean Australia should abandon tobacco control.

They show that relying on financial and social pressure alone can create new forms of harm.

Three points for decision-makers

1

Measure more than prevalence. Falling smoking rates are important, but policy assessment should also consider financial stress, social harms and what happens to people who continue to smoke.

2

Recognise unequal impacts. The financial burden of high tobacco excise falls most heavily on communities where smoking prevalence is already highest and household budgets are under the greatest pressure.

3

Reduce harm as well as use. Tobacco policy should not rely on financial and social pressure alone. People who continue to smoke need practical tools and support to reduce nicotine dependence and related harms.

**Success cannot be measured only by how many people quit.
It must also account for what happens to those who do not.**