Abstract:
This thesis addresses to the cigarette demand and excise tax on cigarettes in the Czech Republic.

The aim is to describe behavior of smokers and especially their reaction to the changes in price of cigarettes. Data for household spending are used for this purpose. First part of this thesis is dedicated to description of the cigarette market and socio-demographic characteristics of smokers. Second part concerns with question whether smokers are rational or myopic and how price elastic is their behavior. Then the rest of the thesis describes excise tax payment mechanism and analyzes excise duty incomes.

The thesis finds that cigarettes are more affordable these days than in the beginning of 90’s. Czech smokers do not fully realize future impact of their behavior and they seem to be very inelastic with respect to price. The price elasticity was estimated on value -0.2.

Given low price elasticity and increasing purchasing power, the current cigarette excise tax is considered to be too low.

Keywords:
Excise tax on tobacco, Smoking, Cigarettes, Tobacco, Rational addiction, tobacco consumption of households, Cigarette prices