

## Illegal trade on a high

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With the arrival in Sri Lanka of record numbers of illicit cigarettes, smoking is on the rise despite the government's 'heavy regulations and high taxes', according to a story by Nishel Fernando for Ceylon Today.

In an exclusive interview, Ceylon Tobacco Company's (CTC) MD and CEO Michael Koset told Ceylon Today that smoking in the country was growing slightly year on year because the government's tax hike had resulted only in a shift in smoking from licit cigarettes to illicit cigarettes and bidis.

As a result of the government's tax hike in October and the introduction of VAT in November, the illegal tobacco trade had increased to record levels, he said.

The illegal trade was estimated to reach about one billion cigarettes this year, which meant that it would account for 30 percent of overall cigarette consumption.

Last year, the illegal trade was said to have accounted for one percent of overall consumption.

Koset said that tax hikes hit both the licit cigarette industry and government revenue.

During the first quarter, 35.6 million illicit cigarettes were 'detected', up from four million during the first quarter of 2016. And since only one in 10 illicit cigarettes was detected, an estimated 320 million illicit cigarettes with a market value of Rs16 billion were thought to have entered the market during first quarter of 2017.

The estimated loss to government revenue due to illicit cigarettes was Rs13 billion during the first quarter.

At the same time, the licit cigarette sales volume had fallen 29 percent during the first quarter of this year compared to that of the same period of 2016.

As a consequence of this, CTC's contribution to government revenue had declined by 11.1 percent to Rs19.7 billion from Rs22.2 billion.

Source: <https://www.tobaccoreporter.com/2017/06/illegal-trade-on-a-high/>