

# Smuggled cigarettes form 25% of domestic industry

John.Sarkar@timesgroup.com

**New Delhi:** India has become the fourth largest and the fastest-growing illegal cigarette market in the world with smuggled ones accounting for a quarter of the domestic cigarette industry.

The illegal cigarette trade has more than doubled from 12.5 billion sticks in 2005 to 26.5 billion sticks in 2018, revealed data from market research company, Euromonitor and the Tobacco Institute of India (TII). Popular domestic cigarette brands, for instance, are nearly non-existent in the mountainous belt between Munsyari and Almora in Uttarakhand. Instead, shopkeepers push brands finding their way in from Nepal that cost Rs 80 for a pack of 20 king-size sticks, compared with Rs 100 for 10 short sticks from an Indian brand.

Indian tobacco bodies attributed the increase in contraband cigarettes to the high taxes levied on cigarettes and have

appealed to the government citing losses being incurred by both the exchequer and domestic tobacco companies. "We would like to appeal to government to have a taxation policy that disincentivises cigarette smuggling in India, which will help curb illicit trade and help the Indian tobacco farmer," said Javare Gowda, president, Federation of All India Farmer Associations (FAIFA).

**FASTEST GROWING**

The step comes against the backdrop of the government recently banning e-cigarettes in India, a move that is estimated to have helped domestic tobacco majors.

"High taxation on cigarettes over the years, particularly between 2012-13 and 2017-18, has impacted the legal cigarette industry and provided a huge filip to the illegal cigarette trade in the country. Incidence of taxes on cigarettes after accounting for the GST cess increa-

se has trebled between 2012-13 and 2017-18," a TII spokesperson said. TII further estimated that the government loses around Rs 13,000 crore every year due to the illegal cigarette trade, while the legal cigarette industry has shrunk by around 22% between 2011 and 2018.

"The worst hit has been the king-size segment (greater than 75mm length filter cigarettes). This is the category where numerous smuggled international brands are being offered to consumers at prices below even the taxes payable on such cigarettes," said the TII spokesperson.

Illegal cigarettes being smuggled into India have their origin rarely identifiable, as the country of manufacturing is deliberately not stated by trade operators and seizure incidents revealed that container loads, railway freight, road transport, personal baggage and head-loads are being used to move stocks across international borders and within the country, according to TII.