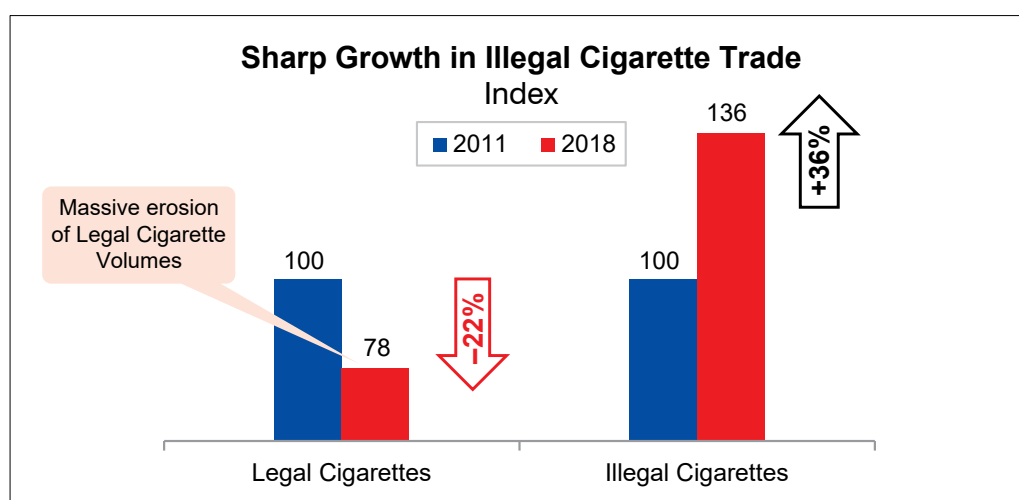


# SHARP GROWTH IN ILLEGAL CIGARETTE TRADE IN INDIA DUE TO EXCESSIVE TAXATION AND EXTREME REGULATIONS ON CIGARETTES



August 2020

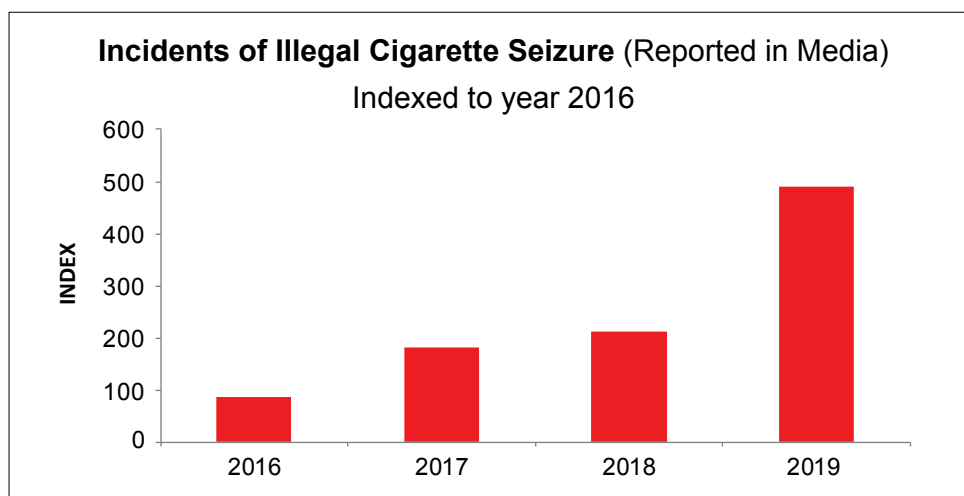
- High Cigarette taxation and extreme tobacco control regulations such as the 85% Pictorial Warning on Tobacco Product Packs in India have led to the decline of Legal Cigarettes in the country while Illegal Cigarette Trade has grown significantly.
- Both high taxation on Cigarettes and extreme regulations produce counter-productive results. They do not reduce demand, but merely shift the demand from the Legal tax-paid and regulation-compliant products to Illegal tax-evaded and regulation non-compliant products.
- According to a study by IMRB (Indian Market Research Bureau), since the implementation of 85% Pictorial Warning in India in April 2016, consumers demonstrate a noticeable preference for smuggled cigarettes without the prescribed warnings.
- High taxation on cigarettes over the years particularly between 2012-13 and 2017-18, has impacted the legal cigarette industry and provided a huge fillip to the illegal cigarette trade in the country.
- The huge increase in National Calamity Contingent Duty (NCCD) rates in the Union Budget 2020-21 is likely to provide a further boost to illicit tax evaded cigarette trade in the country.



Source: Cigarette Industry Factory Shipments & Euromonitor International

- The Goods and Services Tax (GST) regime introduced in July 2017, increased the tax burden on Cigarettes by increasing the GST Compensation Cess rates by a weighted average of about 13% over the pre-GST tax rates.
- Incidence of taxes on cigarettes after accounting for the GST Cess increase has more than trebled since 2012-13.
- Illegal cigarettes are sold cheap due to tax evasion affording a huge arbitrage opportunity. Availability of these products spreads across urban as well as rural markets – in metros they are almost universally available.

- According to Euromonitor International, illegal cigarettes have more than doubled from 12.5 billion sticks in 2005 to 26.5 billion sticks in 2018 – accounting for 1/4<sup>th</sup> of the Indian Cigarette market. India is now the 4<sup>th</sup> largest illegal cigarette market in the world.



- Seizure instances during the calendar year of 2019 are more than double the seizures reported in previous year.
- The reported seizures are only the tip of the iceberg of a much larger operation, as for every seizure dozens of consignments escape any surveillance. This is evidenced by the widespread availability and ubiquitous presence of smuggled cigarettes across markets.
- All forms of transport are being used to move stocks across international borders and within the country - Container loads, railway freight, road transport, personal baggage, head-loads etc. are being deployed for the purpose.
- The nationwide lockdown to combat the spread of COVID-19 pandemic has led to a huge spike in illicit cigarette trade activity undertaken by the anti-social elements.
- Acknowledging the serious threat posed by illicit cigarette trade, the Head of the WHO FCTC Secretariat, Dr. Adriana Blanco Marquizo, said in a recent interview with newSpecial magazine that illicit trade “...causes substantial losses in government revenues, and at the same time contributes to the funding of international criminal activities.”
- Growth in illegal cigarette trade has many serious consequences:
  - Results in revenue loss of Rs. 13,000 crores to the national exchequer
  - Aids the prevalence of organized criminal syndicates and terror outfits that control illegal trade in cigarettes
  - Undermines the tobacco control policies of the government by not adhering to tobacco regulations
  - Adversely impacts the demand for domestic tobaccos since contraband products do not use locally grown tobaccos

# Illegal Cigarette Seizures by Enforcement Agencies

As reported by Media

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
July 26, 2020	Delhi	100	Police	Sarvhitbharat.com
July 24, 2020	Delhi	81	Customs	Hindustan
July 23, 2020	Kota	7,200	Director General of GST	The Economic Times
July 22, 2020	Imphal	-	Police	The Sangai Express
July 17, 2020	Imphal	110	Police	Pothashang News
July 17, 2020	Lucknow	10	CBIC	India Today
July 11, 2020	Delhi	36	Customs	Times Now News
July 11, 2020	New Delhi	100.2	Customs	Times Now News
July 9, 2020	New Delhi	40	Customs	The Asian Age
July 6, 2020	Imphal	-	Police	The People's Chronicle
July 5, 2020	Manipur	-	Police	Dailyhunt
July 4, 2020	Hyderabad	100.3	Police	The New Indian Express
July 3, 2020	Imphal	-	Police	EastMojo
June 29, 2020	Raipur	18	RPF	The Hitavada
June 28, 2020	Kolkata	11.62	Customs	Sanmarg
June 27, 2020	Imphal	-	Police	The Sangai Express
June 23, 2020	Rayagada (Odisha)	20	Police	Kalinga TV
June 22, 2020	Bhopal	10,500	Director General of GST	The Mint
June 20, 2020	Kanchikacherla (AP)	0.68	Police	The Hindu
June 19, 2020	Vijayawada	30	Police	The Hindu
June 19, 2020	Moreh/Impal	-	Police	The Sangai Express
June 17, 2020	Hyderabad	0.7	Police	Telangana Today
June 15, 2020	Chennai	3	Police	DT Next
June 15, 2020	Kolkata	174	Customs	Sanmarg
June 13, 2020	Hyderabad	12	Police	Telangana Today
June 13, 2020	Kolkata	47.42	Customs	Sanmarg
June 12, 2020	Mumbai	1,200	DRI	Hindustan Times
June 11, 2020	West Bengal	15	Police	Outlook India
June 10, 2020	Moreh, Imphal	-	Police	The News Mill
June 1, 2020	Kolkata	19.5	Customs	Sanmarg
May 25, 2020	Vijayawada	300	DRI	The Times of India
May 17, 2020	Pune	1	Police	United News of India
May 10, 2020	Imphal	-	Police	United News of India
May 18, 2020	Hadapsar, Pune	20	Police	Punekar News
May 25, 2020	Vijayawada	30	DRI	The Hindu
May 5, 2020	Hyderabad	30	Police	The Times of India
April 27, 2020	Pallel (Manipur)	-	Police	The Sangai Express
April 26, 2020	Imphal	-	Police	The Northeast Today

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
April 27, 2020	Pune	2.25	Police	The Indian Express
April 22, 2020	Moreh	54	Police	The Sangai Express
April 19, 2020	Calicut	460 (2019-20)	Customs	The New Indian Express
April 13, 2020	Gwalior	16.5	Police	Rashtriya Sahara
March 17, 2020	Jaipur	8	RPF	Dainik Bhaskar
March 12, 2020	Hyderabad	-	Police	Telangana Today
March 11, 2020	Chennai	3.94	Customs	The Times of India
March 11, 2020	Hyderabad	0.9	Police	Telangana Today
March 3, 2020	Guwahati	13.24	RPF	Rajdhani
February 25, 2020	Imphal	8	Police	The Sangai Express
February 23, 2020	Aurangabad	41.47	Police	The Times of India
February 18, 2020	Guwahati	14	RPF	The Sentinel
February 11, 2020	Patna	100	Police	The New Indian Express
February 9, 2020	Chennai	4.7	Customs	ANI
February 5, 2020	Jabalpur	25	GST Team	The Hitavada
January 30, 2020	Hyderabad	-	Customs	The New Indian Express
January 25, 2020	Hyderabad	0.6	Police	The Siasat Daily
January 22, 2020	New Delhi	0.8	Police	Virat Vaibhav
January 14, 2020	Mancherial, AP	0.4	Police	Telangana Today
January 7, 2020	New Delhi	22.85	Customs	ANI
January 4, 2020	Coimbatore	21.45	Customs	The Times of India
January 4, 2020	Patna	24	RPF	Dainik Bhaskar
December 22, 2019	Chennai	0.58	Customs	Deccan Chronicle
December 13, 2019	Vijayawada	14.98	Police	The Hindu
December 10, 2019	Amingaon, Assam	50	Police	DY365
November 23, 2019	Chennai	-	Customs	Deccan Chronicle
November 21, 2019	Mumbai	20	Police	The Free Press Journal
November 14, 2019	Bengaluru	100	Railway Police	The New Indian Express
November 13, 2019	Chennai	700	DRI	Millennium Post
November 11, 2019	Hyderabad	8.51	Customs	The Hindu
October 23, 2019	Kolkata	155	DRI	Millennium Post
October 23, 2019	Jaipur	5.61	Customs	The Times of India
October 21, 2019	Jaipur	6.3	Customs	The Times of India
October 20, 2019	Chennai	0.81	Customs	The New Indian Express
October 16, 2019	Hyderabad	6	Police	Telangana Today
October 15, 2019	Bhubaneswar	12	DRI	Odisha Sun Times
October 14, 2019	New Delhi	25	Railway Police	Navodaya Times
October 13, 2019	Guwahati	2.5	Police	The Telegraph
October 7, 2019	Manipur	6	Police	The Sangai Express



Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
October 6, 2019	Hyderabad	7	Police	The Hans India
October 5, 2019	Chennai	0.64	Customs	The New Indian Express
September 23, 2019	Siliguri	7.42	Railway Police	United News of India
September 14, 2019	Guwahati	17.5	Railway Police	Purbanchal Prahari
September 13, 2019	Guwahati	7	Police	The Sentinel
September 13, 2019	New Delhi	78	Customs	Hindustan Times
September 13, 2019	Kolkata	269	DRI	The Telegraph
September 6, 2019	Guwahati	73	Railway Police	Assam Tribune
September 4, 2019	Bengaluru	54	Customs	ANI
August 31, 2019	Imphal	281	Customs	The Sangai Express
August 30, 2019	Imphal	600	Police	Nagaland Post
August 30, 2019	Chennai	0.16	Customs	Deccan Chronicle
August 27, 2019	Chennai	0.19	Customs	Deccan Chronicle
August 27, 2019	Kanpur	25	Customs	Hindustan
August 24, 2019	Chennai	0.29	Customs	Decan Chronicle
August 23, 2019	Vijayawada	10	Police	Business Standard
August 21, 2019	Guwahati	5.5	Police	Northeast Now
August 20, 2019	Patna	37.5	DRI/Railway Police	The New Indian Express
August 19, 2019	Hyderabad	2	Police	Telangana Today
August 14, 2019	Chennai	0.4	Customs	Deccan Chronicle
August 13, 2019	Hyderabad	21	Customs	Deccan Chronicle
August 12, 2019	Kolkata	25	Customs	Sanmarg
August 8, 2019	Chennai	0.67	Customs	The Indian Express
July 25, 2019	Kolkata	162	DRI	Deccan Herald
July 24, 2019	Chennai	0.75	Customs	Deccan Chronicle
July 22, 2019	Siliguri	100	DRI	Outlook India
July 19, 2019	Bengaluru	60	Customs	The Times of India
July 14, 2019	Chennai	9	Customs	Deccan Chronicle
July 3, 2019	Bengaluru	200	Customs	The Times of India
June 30, 2019	Vadodara	5.27	Police	Dailyhunt
June 24, 2019	Lucknow	307	DRI	Hindustan Times
June 24, 2019	Srinagar	-	Police	The Tribune
June 23, 2019	Chandigarh	-	Police	The Times of India
June 18, 2019	Indore	2.65	Police	Dainik Bhaskar
June 18, 2019	Pune	9.19	Police	The Times of India
June 14, 2019	Surat	55	DRI	The Times of India
June 12, 2019	Bengaluru	150	Customs	Deccan Herald
June 12, 2019	Mumbai	110	DRI	Mid-Day
May 22, 2019	Srinagar	-	Legal Metrology Dept.	Greater Kashmir

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
May 18, 2019	New Delhi	26.73	Customs	The Pioneer
May 17, 2019	Guwahati	4.3	Police	The Sentinel
May 8, 2019	Chennai	405	DRI	The Asian Age
May 7, 2019	Pune	-	Police	United News of India
May 5, 2019	Chandigarh	15	Police	Hindustan Times
April 30, 2019	Lucknow	60	Customs	Hindustan
April 22, 2019	Chennai	1.44	Customs	The Times of India
April 19, 2019	Kolkata	213	Customs	Business Standard
April 19, 2019	Kolkata	124	Customs	Business Standard
April 18, 2019	Banbasa	3	Seema Suraksha Bal	Hindustan
April 9, 2019	Mangaluru	1.44	Customs	Dover Daily News
April 9, 2019	New Delhi	35.6	Customs	Business Standard
April 8, 2019	Chennai	0.28	Customs	Deccan Chronicle
April 8, 2019	Kolkata	20.21	Railway Police	Prabhat Khabar
April 8, 2019	Dhanbad	14	Railway Police	Dhanbad Prabhat
April 6, 2019	Vadodara	2.38	Police	Connect Gujarat
April 6, 2019	Kolkata	6.48	Railway Police	Patrika
April 2, 2019	Guwahati	21	Railway Police	The Sentinel
March 27, 2019	Guwahati	-	Railway Police	The Sentinel
March 26, 2019	Guwahati	100	Customs	Business Standard
March 16, 2019	Howrah	7.36	Customs	Sanmarg
March 15, 2019	Muzaffarpur	525	DRI	United News of India
March 14, 2019	Kishanganj	30	Customs	Hindustan
March 14, 2019	Hyderabad	-	Customs	The New Indian Express
March 10, 2019	Lucknow	12	Customs	Dainik Jagaran
March 7, 2019	Chennai	2.4	Customs	Deccan Chronicle
March 1, 2019	Hyderabad	6.48	Police	The Hindu
February 25, 2019	Lucknow	15	Customs	Dainik Jagaran
February 14, 2019	Kanpur	50	Customs	Hindustan
February 7, 2019	Mumbai	1,700	Customs	The Times of India
February 4, 2019	Delhi	-	Customs	NDTV
February 4, 2019	Kochi	50	Customs	The Times of India
January 23, 2019	Kolkata	10	Railway Police	Sanjeevani Today
January 23, 2019	Howrah	30	Customs	Sanjeevani Today
January 21, 2019	Guwahati	18	Police	The Sentinel
January 9, 2019	Guntur	40	Police	Eenadu
January 8, 2019	Panaji	540	DRI	The Times of India
January 4, 2019	Nagpur	75	DRI	The Times of India
January 3, 2019	Jiribam, Imphal	-	Police	Imphal Free Press

## THE TOBACCO INSTITUTE OF INDIA

The Tobacco Institute of India (TII) is a representative body of farmers, manufacturers, exporters and ancillaries of the cigarette segment of the tobacco industry in India. Established in 1992, the Institute is recognized as a repository of reliable information on the industry and is privileged to be consulted by Government, Parliamentary Committees, Chambers of Commerce/Trade Associations and Media for information and policy recommendations on Tobacco issues.

As an organization, TII has always supported evidence-based, equitable, reasonable and implementable regulation and recognises the need to create greater awareness regarding tobacco consumption in India.



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