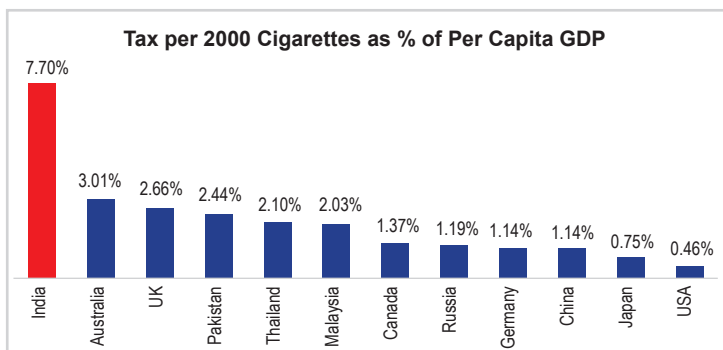


SHARP GROWTH IN ILLEGAL CIGARETTE TRADE IN INDIA DUE TO EXCESSIVE TAXATION AND EXTREME REGULATIONS ON CIGARETTES



October 2022

- 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.
- High taxation on Cigarettes and extreme regulations have been counterproductive. They do not reduce demand, but merely shift the demand from the Legal tax-paid and regulation-compliant products to Illegal tax-evaded and non-compliant products.
- According to a study by IMRB (Indian Market Research Bureau), since the implementation of the 85% Pictorial Warning in India in April 2016, consumers have demonstrated a noticeable preference for smuggled cigarettes without the specified warnings.
- International cigarette brands are globally recognized and appeal to consumers across the world including in India. These cigarettes smuggled into India do not carry the mandated pictorial warnings. Absence of the mandated warnings creates an impression amongst the consumers that they are safer than the legal cigarettes which bear the mandated warnings.
- High taxation on cigarettes over the years has impacted the legal cigarette industry and provided a huge fillip to the illegal cigarette trade in the country.
- Cigarette taxes in India (as a percentage of per capita GDP) are almost 17 times higher than in the USA; 10 times higher than Japan; 7 times more than China and Germany; 6 times higher than Canada and Russia; 4 times more than Thailand & Malaysia and 3 times higher than Pakistan & UK.

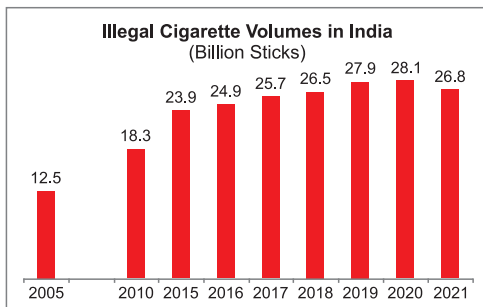


*Source: Tax data – WHO Report on Global Tobacco Epidemic, 2021;
Per Capita GDP – World Bank (Data for the year 2020)*

- Excessive taxation has made Legal Cigarettes in India amongst the least affordable in the world (as per WHO Report 2021¹). This has fuelled the growth of illicit cigarette trade in the country.

¹WHO Report on Global Tobacco Epidemic, 2021

- Illegal cigarettes are sold at very low prices due to tax evasion, which provides huge arbitrage opportunities.
- According to Euromonitor International, illegal cigarette volumes in India is estimated at 26.8 billion sticks in 2021, making India the 4th largest illicit cigarette market in the world.
- With shrinking legal cigarette volume, illicit cigarettes are now 1/3rd of the legal cigarette volume.
- Media reports indicate illicit cigarettes are being seized across the country almost on a daily basis.
- Only a single enforcement agency, viz. Directorate of Revenue Intelligence (DRI) has seized 14 crore smuggled cigarettes in 2021-22, according to a Lok Sabha statement by the Ministry of Finance in March 2022.
- The reported seizures are only the tip of the gigantic iceberg of a much larger operation, as for every seizure multiple consignments escape surveillance. This is evidenced by the widespread availability and universal presence of smuggled cigarettes across markets.
- The smuggled trade in cigarettes in India, like rest of the world, is controlled by organized criminal syndicates and terror groups, both enemies of our country.
- Acknowledging the serious threat posed by illicit cigarette trade, the Head of the WHO FCTC Secretariat, Dr. Adriana Blanco Marquizo, stated that illicit cigarette 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 undesirable consequences:
 - Causes revenue loss of more than Rs. 15,500 crores per annum to the Exchequer, as per a recent FICCI-CASCADE study
 - Increases the affordability and accessibility of tobacco products
 - Benefits organized criminal syndicates and terror outfits who control this illegal activity
 - Adversely impacts the earnings of domestic tobacco farmers as contraband cigarettes do not use domestic tobaccos
 - Undermines the objectives of tobacco control by not adhering to tobacco regulations



Source: Euromonitor International, 2022

Media reports on Illegal Cigarette Seizures

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
October 17, 2022	Mizoram	272	Assam Rifles	Daijiworld.com
October 13, 2022	Ahmedabad	1,700	DRI	UNI
October 11, 2022	Aizawl	68.9	Assam Rifles	Northeast Now
October 5, 2022	Hyderabad	6.9	Customs	Tweet - Hyderabad Customs
September 29, 2022	New Delhi	—	Customs	The Statesman
September 29, 2022	Nellore	—	Police	The Hans India
September 28, 2022	Mumbai	—	Customs	The Free Press Journal
September 21, 2022	Champhai, Mizoram	10.4	Assam Rifles	ANI
September 21, 2022	Guwahati	132	Customs	Northeast Today
August 30, 2022	Vijayawada	800	Customs	ETV Bharat
August 4, 2022	Vijayawada	345	Customs	The Times of India
August 1, 2022	Cachar, Assam	75	Police	Way2barak.com
August 1, 2022	Aizawl	325	Assam Rifles	Daijiworld.com
July 31, 2022	Hyderabad	2.98	Customs	UNI
July 30, 2022	Hyderabad	11.66	Customs	Telangana Today
July 30, 2022	Hyderabad	14	Customs	Telangana Today
July 30, 2022	Hyderabad	25	Customs	Telangana Today
July 30, 2022	Aizawl	104	Assam Rifles	The Shillong Times
July 28, 2022	Guwahati	—	RPF	The Sentinel
July 26, 2022	Hyderabad	—	Customs	Telangana Today
July 19, 2022	Mizoram	5.17	Assam Rifles	Tweet - Assam Rifles
July 18, 2022	Guwahati	2	RPF	G Plus
July 17, 2022	Chennai	—	Customs	The Hindu
July 15, 2022	Ludhiana	—	GST Team	The Times of India
July 12, 2022	Guwahati	—	RPF	G Plus
June 30, 2022	Champhai, Mizoram	2.6	Assam Rifles	Tweet - Assam Rifles
June 29, 2022	Nashik	1.6	FDA	The Times of India
June 28, 2022	Mizoram	—	Assam Rifles	IANS

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
June 27, 2022	Delhi	—	Police	Tweet - DCP Central Delhi
June 23, 2022	Jaipur	6.5	Customs	Devdiscourse.com
June 23, 2022	Hyderabad	—	Police	Sakshi
June 22, 2022	Champhai, Mizoram	1.4	Assam Rifles	Tweet - Assam Rifles
June 18, 2022	Delhi	100	Customs	ANI
June 15, 2022	Aizawl	235	Assam Rifles	The Sentinel
June 15, 2022	Aizawl	3.9	Assam Rifles	The Sentinel
June 14, 2022	Kolkata	30	Customs	Tweet - Kolkata Customs
June 14, 2022	Guwahati	4.98	RPF	The Sentinel
June 12, 2022	Guwahati	—	RPF	G Plus
June 12, 2022	Champhai, Mizoram	5.2	Assam Rifles	Tweet - Assam Rifles
June 4, 2022	Aizawl	—	Police	The Print
June 4, 2022	Champhai, Mizoram	234	Assam Rifles	EastMojo
June 3, 2022	Mancheri, Kerala	—	Police	Malayala Manorama
June 3, 2022	Panipat	—	Police	Dainik Jagaran
May 31, 2022	Mizoram	91	Assam Rifles	Northeast Today
May 28, 2022	Champhai, Mizoram	2,300	Assam Rifles	Northeast Now
May 25, 2022	Hailakandi, Assam	10	Police	EastMojo
May 22, 2022	Srinagar	—	Health officials	Greater Kashmir
May 20, 2022	Mohali, Punjab	—	Health Department	The Tribune
May 18, 2022	Guwahati	—	RPF	The Sentinel
May 16, 2022	Assam	—	RPF	News18
May 7, 2022	Gujarat	1,700	DRI	The Print
May 7, 2022	Delhi	2.25	Police	Vartha Bharati
May 2, 2022	Assam	16	Police	The Sentinel
April 30, 2022	Kerala	4,000	Police	Daily Thanthi
April 29, 2022	Edakkara, Malapuram	450	Police	Malayala Manorama
April 29, 2022	Kozhikode	400	Police	The Times of India
April 28, 2022	Rangia, Assam	16	Police	The Sentinel

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
April 28, 2022	Chennai	—	Customs	Tweet - Chennai Customs
April 28, 2022	Howrah	18.35	Customs	Tweet - Kolkata Customs
April 27, 2022	New Delhi	7.3	Police	The Print
April 23, 2022	Champhai, Mizoram	130	Assam Rifles	Northeast Today
April 23, 2022	Chennai	—	Customs	Tweet - Chennai Customs
April 22, 2022	Punjab	—	Police	Punjab Kesari
April 13, 2022	Howrah	5.37	RPF	Tweet - RPF
April 12, 2022	Gorakhpur	105	DRI	Amar Ujala
April 12, 2022	Kolkata	24.7	Customs	Tweet - Kolkata Customs
April 11, 2022	New Delhi	78	Customs	UNI
April 10, 2022	New Delhi	17	Customs	IANS
April 7, 2022	Chennai	—	Customs	Republic World
April 2, 2022	Ahmedabad	130	DRI	Ahmedabad Mirror
March 22, 2022	Bengaluru	2.4	Railway Police	Tweet - RPF South Western Railway
March 18, 2022	Kohima	140	Assam Rifles	Northeast Today
March 17, 2022	Lucknow	12	Customs	Tweet - Lucknow Customs
March 14, 2022	Mumbai	16.8	Police	The Free Press Journal
March 9, 2022	Hyderabad	200	Police	The Times of India
March 8, 2022	Delhi	22	Customs	Tweet - Delhi Customs
March 6, 2022	Bengaluru	600	DRI	The Hindu
March 3, 2022	Champhai, Mizoram	6.05	Assam Rifles	The Sentinel
March 2, 2022	Tuticorin	120	DRI	DT Next
February 25, 2022	Hyderabad	6	Police	Telangana Today
February 21, 2022	Kolkata	48	Customs	Tweet - Kolkata Customs
February 19, 2022	Delhi	9.54	Customs	Ahmedabad Mirror
February 16, 2022	Hyderabad	9.72	Customs	Tweet - Hyderabad Customs
February 16, 2022	Pakriguri, West Bengal	24	Police	The Telegraph
February 9, 2022	Hyderabad	12	Police	The Hindu
February 3, 2022	Lucknow	13.5	Customs	Tweet - Lucknow Customs
January 29, 2022	Mariani, Assam	11	Railway Police	Purvanchal Prahari

Date	Place	Value (Rs. Lakhs)	Enforcement Agency	Source
January 27, 2022	Hailakandi, Assam	20	Police	News Live TV
January 25, 2022	Kwatha, Manipur	—	Assam Rifles	Tweet - Assam Rifles
January 20, 2022	Cachar, Assam	—	Police	Viksit Bharat Samachar
January 19, 2022	Manipur	6	Police	Barak Bulletin
January 19, 2022	Manipur	—	Assam Rifles	Tweet - Assam Rifles
January 12, 2022	Kolkata	70	Customs	Tweet - Kolkata Customs
January 3, 2022	Srirampur, West Bengal	60	Police	Viksit Bharat Samachar
January 3, 2022	Champhai, Mizoram	13	Assam Rifles	The Sentinel
January 3, 2022	Guwahati	100	Police	Purvanchal Prahari
January 3, 2022	Malda	—	Police	The Telegraph
December 22, 2021	Dholai, Assam	16	Police	Barak Bulletin
December 19, 2021	Khidirpur, West Bengal	28.8	Customs	Sanmarg
December 17, 2021	Lucknow	9	Customs	Tweet - Lucknow Customs
December 16, 2021	Cachar, Assam	—	Police	Pratidin Time
December 11, 2021	Delhi	—	Delhi Customs	Tweet - Customs
December 2, 2021	Lucknow	7.5	Lucknow Customs	Tweet - Customs
December 2, 2021	Guwahati	70	Assam Rifles	Northeast Now
November 29, 2021	Guwahati	95	Customs	TIME8.in
November 24, 2021	Aizawl	5.20	Assam Rifles	The Sentinel
November 18, 2021	Faridabad	—	Police	Amar Ujala
November 16, 2021	Silchar	170	BSF	The Times of India
November 11, 2021	Srirampur, West Bengal	150	Police	Purvanchal Prahari
November 11, 2021	Guwahati	10.4	Assam Rifles	Eastern Chronicle
November 10, 2021	Malappuram	105	RPF	The New Indian Express
October 30, 2021	Imphal	—	Assam Rifles	E-Pao.net
October 28, 2021	Karimganj, Assam	2	Police	India Blooms
October 21, 2021	Tengnoupal, Manipur	3.84	Assam Rifles	Tweet - The Assam Rifles
October 19, 2021	Champhai, Mizoram	68	Assam Rifles	InsideNE

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.



The Tobacco Institute of India

316-318, 3rd Floor, E-Block, International Trade Tower, Nehru Place, New Delhi - 110019

Phone: 91-11-26231214-16 | E-mail: tii@tiionline.org | Website: www.tiionline.org

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