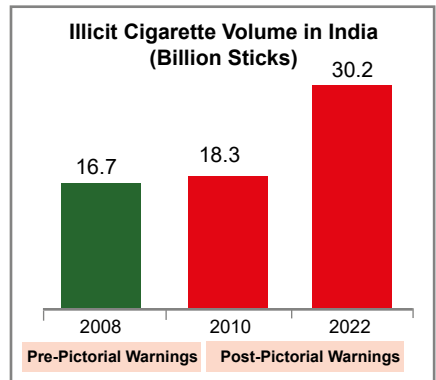


# EXCESSIVE TAXATION AND EXTREME REGULATIONS RESULTING IN HUGE ILLICIT CIGARETTE TRADE



- 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.
- Excessively high tax increases on cigarettes over the past many years, particularly between 2012 and 2020, substantially increased the tax arbitrage and provided a huge fillip to the illegal cigarette trade in the country.
- Excessive taxation has made Legal Cigarettes in India amongst the least affordable in the world, as per WHO Report<sup>1</sup>.
- The pragmatic taxation policy of the recent years has led to some slowdown in the illicit trade – allowing Legal Industry to clawback some volumes from illicit.
- Euromonitor estimates illicit cigarette volumes of 30.2 billion sticks in 2022. This has made India the 3<sup>rd</sup> largest illicit market in the world overtaking Pakistan. China and Brazil are the other two large illicit cigarette markets ranked ahead of India.
- Illegal cigarettes currently account for 1/3<sup>rd</sup> of legal cigarettes in the country.
- Extremely low affordability of legal cigarettes has induced consumers towards illicit which are significantly cheaper than legal cigarettes due to tax evasion.

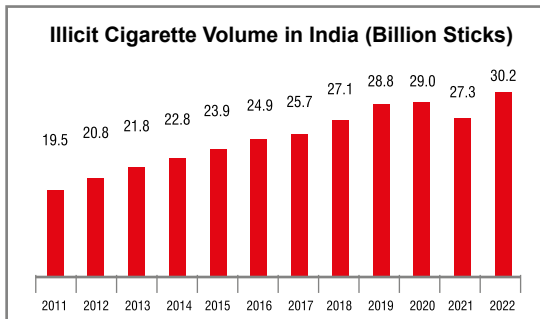


Source: Euromonitor International, 2023

<sup>1</sup>WHO Report on Global Tobacco Epidemic, 2021

- DRI's Smuggling in India Report 2022-23 notes, "India is being considered as a transit and destination country for illicit tobacco products. The rate of import duty/taxes on cigarettes and the consequent arbitrage opportunity make the smuggling of cigarettes highly lucrative."

- India witnesses a huge influx of Chinese cigarettes in the North Eastern border, as evidenced by the frequent seizures.



Source: Euromonitor International, 2023

- 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 of smuggled cigarettes across the country.
- Illegal operators are flooding the Indian market with attractive cigarette packs without specified warnings. Certain smuggled international brands have introduced 'paan' flavoured variants, which obviously are made for the Indian market.
- Illicit 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:
  - 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 Indian tobacco farmers as contraband cigarettes do not use domestic tobaccos
  - Undermines the social objectives of tobacco control by not adhering to tobacco regulations
  - Causes revenue loss of more than Rs. 18,500 crores per annum to the Exchequer

# Media reports on Illegal Cigarette Seizures

Date	Place	Enforcement Agency	Source
March 21, 2024	Lucknow	Customs	X* - Lucknow Customs
March 20, 2024	Cochin	Customs	X - Cochin Customs
March 20, 2024	Delhi	Customs	X - Delhi Customs
March 10, 2024	Delhi	Customs	X - Delhi Customs
March 8, 2024	Thiruvananthapuram	Customs	The Hindu
February 26, 2024	Lucknow	Police	The Times of India
February 19, 2024	Mizoram	Assam Rifles	Hindi Khabar
January 31, 2024	Srinagar	Police	Greater Kashmir
January 28, 2024	Howrah, West Bengal	RPF	Sanmarg
January 22, 2024	Pune	Customs	The Times of India
January 21, 2024	Ahmedabad	Police	The Times of India
January 21, 2024	New Delhi	Customs	The Indian Express
January 19, 2024	Kannur, Kerala	Customs	X - Customs
January 19, 2024	Cochin	Customs	X - Customs
January 15, 2024	Mumbai	DRI	Hindustan Times
January 15, 2024	Anantapur	CGST	The New Indian Express
January 14, 2024	Mizoram	Assam Rifles	India Today
January 12, 2024	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
January 10, 2024	Champhai, Mizoram	Assam Rifles	India Today
January 8, 2024	Andhra Pradesh	Police	Eenadu
January 3, 2024	Delhi	Police	Hindustan
January 3, 2024	Andhra Pradesh	Police	Eenadu
December 30, 2023	Mumbai	DRI	The Indian Express
December 29, 2023	Karnal, Haryana	Police	Amar Ujala
December 29, 2023	Lucknow	Customs	Jagran
December 29, 2023	Mumbai	DRI	Free Press Journal
December 28, 2023	Guwahati	RPF	GPlus
December 27, 2023	Sonipat, Haryana	Police	IBC24
December 26, 2023	Faridabad	Police	Hindustan
December 23, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
December 18, 2023	Guntur, Andhra Pradesh	Excise	Eenadu
December 12, 2023	Guntur, Andhra Pradesh	Police	Eenadu
December 10, 2023	Mumbai	DRI	The Times of India
December 8, 2023	Vijayawada	CGST	The Times of India

\* Posted on X (formerly Twitter)

Date	Place	Enforcement Agency	Source
December 3, 2023	Guwahati	RPF	The Sentinel
December 4, 2023	Visakhapatnam	Customs	The Times of India
December 1, 2023	Delhi	Customs	Business Standard
November 25, 2023	Ahmedabad	DRI	The Indian Express
November 21, 2023	Zokhawthar, Mizoram	Assam Rifles	ANI
November 9, 2023	Champhai, Mizoram	Assam Rifles	The Sentinel
November 4, 2023	Guwahati	RPF	The Assam Tribune
October 29, 2023	Lucknow	Customs	X - Lucknow Customs
October 29, 2023	Patna	Customs	X - Customs (P) Patna
October 27, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
October 26, 2023	Champhai, Mizoram	Assam Rifles	Northeast Today
October 26, 2023	Mumbai	DRI	The Times of India
October 20, 2023	Champhai, Mizoram	Assam Rifles	India Today
October 16, 2023	Guwahati	Customs	X - Customs NER
October 13, 2023	Guwahati	Customs	X - Customs
October 12, 2023	Aizawl	Customs	X - Customs
October 10, 2023	Hyderabad	Customs	X - Hyderabad Customs
October 10, 2023	Guwahati	RPF	The Assam Tribune
October 9, 2023	Hyderabad	Customs	X - Hyderabad Customs
October 5, 2023	Meghalaya	Customs (Preventive)	X - Customs NER
September 28, 2023	Aizawl	Multiple Agencies	Always First
September 14, 2023	Bengaluru	Customs	The New Indian Express
September 4, 2023	Ahmedabad	DRI	The Times of India
August 29, 2023	Vijayawada	Police	The Indian Express
August 22, 2023	Mangaluru	Police	The Hindu
August 18, 2023	Guwahati	Customs	The Sentinel
August 3, 2023	Champhai, Mizoram	Assam Rifles	The Sentinel
August 1, 2023	Champhai, Mizoram	Assam Rifles	The Sentinel
July 31, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
July 31, 2023	Guwahati	Customs	X - Customs
July 31, 2023	Kanchanbagh, Telangana	Police	The Hindu
July 27, 2023	Hyderabad	Customs	X - Customs
July 25, 2023	Mizoram	Assam Rifles	ANI
July 25, 2023	Faridabad	Police	Dainik Bhaskar
July 24, 2023	Champhai, Mizoram	Assam Rifles	Big News Network
July 23, 2023	Hyderabad	Customs	X - Customs

Date	Place	Enforcement Agency	Source
July 22, 2023	Vishakhapatnam	Police	The Times of India
July 20, 2023	Chandigarh	Health Department	Hindustan Times
July 19, 2023	Bhilwara	Health Department	Khas Khabar
July 18, 2023	Bihar	Police	Hindustan
July 15, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
July 12, 2023	Zokhawthar, Mizoram	Assam Rifles	The Sentinel
July 12, 2023	Nagaland	Assam Rifles	Nagaland Post
July 10, 2023	Hyderabad	Customs	X - Hyderabad Customs
July 9, 2023	Champhai, Mizoram	Assam Rifles	Lokmat Times
July 8, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
July 8, 2023	Hyderabad	Police	Deccan Chronicle
July 6, 2023	Champhai, Mizoram	Assam Rifles	ANI
July 5, 2023	Hyderabad	Customs	ANI
July 3, 2023	Vadanappalli, Kerala	Excise Department	Malayala Manorama
June 30, 2023	Gumrah, Assam	Police	X - Cachar Police
June 30, 2023	Mumbai	Customs	X - Mumbai Customs
June 30, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
June 30, 2023	Assam	Police	The Hills Times
June 29, 2023	Champhai, Mizoram	Assam Rifles	The Sentinel
June 27, 2023	South Salmara, Assam	Police	X - South Salmara Mankachar Police
June 27, 2023	Hoogly	Customs	X - Kolkata Customs
June 16, 2023	Pattambi, Kerala	Police	Mathrubhumi
June 15, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
June 14, 2023	Surat	DRI	Sandesh
June 11, 2023	Navi Mumbai	Police	Grahak Raja
June 11, 2023	Hyderabad	Police	The Siasat Daily
June 9, 2023	Mizoram	Assam Rifles	The Sentinel
June 1, 2023	Mizoram	DRI	X - CBIC
May 31, 2023	Zokhawthar, Mizoram	Assam Rifles	X - Assam Rifles
May 29, 2023	Indore	Police	The Free Press Journal
May 26, 2023	Delhi	Customs	X - Customs Delhi
May 24, 2023	Chandigarh	Police	Hindustan Times
May 23, 2023	Mumbai	Police	The Free Press Journal
May 21, 2023	Pune	Customs	The Indian Express

Date	Place	Enforcement Agency	Source
May 16, 2023	Mizoram	Assam Rifles	X - The Assam Rifles
May 14, 2023	Mumbai	DRI	The Tribune
May 13, 2023	Gurugram	Police	Hindustan Times
May 12, 2023	Golaghat, Assam	CRPF	Pratidin Time
May 9, 2023	Delhi	Delhi Customs	X - Delhi Customs
May 6, 2023	Champhai, Mizoram	Customs	The Sentinel
May 5, 2023	Mumbai	Customs	The Print
May 5, 2023	Hyderabad	RPF	Telangana Today
May 3, 2023	Mohali	Health Department	The Times of India
May 2, 2023	Zokhawthar, Mizoram	Assam Rifles	Northeast Now
April 29, 2023	Mizoram	Assam Rifles	X - The Assam Rifles
April 28, 2023	Mumbai	Police	Mid-day
April 26, 2023	Bengaluru	Customs/DRI	X - Bengaluru Customs
April 26, 2023	Bengaluru	Customs	X - Bengaluru Customs
April 23, 2023	Ahmedabad	Police	The Times of India
April 21, 2023	Champhai, Mizoram	Assam Rifles	Northeast Now
April 20, 2023	Mehsana, Gujarat	Police	Dainik Bhaskar
April 20, 2023	Shillong	DRI	X - DRI
April 19, 2023	Vijayawada	Customs	The Hans India
April 18, 2023	Udupi, Karnataka	Police	Dajjiworld
April 18, 2023	Champhai, Mizoram	Assam Rifles	Northeast Now
April 17, 2023	Kanpur	Police	Amar Ujala
April 17, 2023	Hyderabad	Police	Telangana Today
April 14, 2023	Champhai, Mizoram	Assam Rifles	The Sentinel
April 13, 2023	Tezpur, Assam	Police	Purvanchal Prahari
April 13, 2023	Chennai	Customs	X - Chennai Customs
April 3, 2023	Cachar, Assam	Police	Pratidin Time
April 1, 2023	Kalpetta, Kerala	Police	Malayala Manorama
March 31, 2023	Faridabad	GST	The Times of India
March 31, 2023	Mangaluru	Police	The Times of India
March 29, 2023	Champhai, Mizoram	Assam Rifles	ANI
March 19, 2023	Gurugram	Police	The Tribune
March 15, 2023	Champhai, Mizoram	Assam Rifles	The Print
March 12, 2023	Champhai, Mizoram	Assam Rifles	Northeast Now
March 10, 2023	Champhai, Mizoram	Assam Rifles	X - The Assam Rifles
March 6, 2023	Amritsar	Customs	ABP News

## 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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