

## Opinion: Australia's tobacco excise mistake

Thomas Oakley-Newell / February 13, 2025

*Australia's excessive taxation policy on tobacco is driving the illicit market to unprecedented levels, robbing legitimate retailers, and creating criminal empires that thrive on government inaction and failed policy, says Theo Foukkare, CEO of the Australian Association of Convenience Stores (AACS).*



Image: Theo Foukkare, CEO, Australian Association of Convenience Stores (AACS).

### The black-market explosion

Australia has raised tobacco taxes so high and so fast that we've effectively created a massive black market. While the intention behind these tax hikes was to reduce smoking rates and boost government revenue, the reality is far different. The illegal tobacco trade is now literally on fire, controlled by crime groups who see it as an easy and highly profitable operation with minimal consequences.

With illicit tobacco now accounting for over 30 per cent of total consumption, it is clear that this excise strategy is failing. Retailers who follow the law are being undercut by criminals, and the government is losing billions in tax revenue that could have been used to fund essential public services. Treasury's own figures reveal that tobacco excise revenue has plummeted, from a peak of \$16 billion in 2019-20 to below \$10 billion last year. This is not a sign of a successful public health policy—it's a sign of a broken system.

At the going rate, the Federal Government has next to no hope of meeting their National Tobacco Strategy 2023–2030 which aims to reduce adult daily smoking prevalence to 5 per cent or less by 2030; it is currently flatlined at around 10 per cent.

### The impact on retailers and the public

For legal retailers of tobacco products, these excessive taxes have created an uneven playing field. As consumers increasingly turn to cheaper, unregulated alternatives, legitimate businesses continue to lose consumers to illegal operators, and communities are left exposed to witnessing crime play out in the streets literally every single day.

The problem is compounded by the lack of effective enforcement. While the government continues to raise taxes, it has failed to equip law enforcement with the resources necessary to combat the illegal trade. The penalties for selling illicit tobacco remain weak, and the proliferation of illegal operators continues to rise. Some retailers caught selling illegal cigarettes have been fined multiple times and continue to operate.

The consequences extend beyond economics—public health is at risk. Consumers purchasing from the black market have no idea what they are smoking, and these unregulated products could pose an even greater health risk than legally taxed cigarettes. Instead of reducing smoking rates, the government's policy has made illicit tobacco more accessible and affordable than ever before.

## **A Policy Failure That Must Be Addressed**

Unless the government takes immediate action to pair excise increases with strong enforcement, we will continue to see the illicit tobacco trade explode. The consequences are clear: billions in lost revenue, a thriving criminal industry, and a policy failure that does more harm than good.

Tobacco taxes were meant to reduce smoking, not fuel crime. The failure to properly enforce regulations while ramping up taxes has made smoking cheaper for many Australians through black-market channels, undoing the very health outcomes these policies aimed to achieve.

Meanwhile, legal businesses that have always played by the rules are being punished, while criminal enterprises flourish in plain sight.

If the government is serious about cutting smoking rates and protecting its own tax revenue, it must act now.

It is time for a change. Australia must adopt a balanced, evidence-based approach that protects retailers, safeguards public health, and cracks down on the criminals profiting from failed policy decisions.

There is only so much enforcement can achieve when the retail price of illicit tobacco is half that of legal. The fact is, extreme excise on tobacco is now working counter to the very principles it is designed to uphold.

In the interests of its own bottom line, as well as in the interests of safer communities, national health targets, and the legal retail industry, it is time for the Government to seriously consider lowering the excise on tobacco.

This article was written by Theo Foukkare for the February/March issue of Convenience and Impulse Retailing Magazine.

**Source:** <https://www.c-store.com.au/opinion-australias-tobacco-excise-mistake/#:~:text=Retailers%20who%20follow%20the%20law,below%20%2410%20billio n%20last%20year>