



**BRITISH AMERICAN
TOBACCO**
AUSTRALASIA

media release

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\$1 billion in lost taxes could fill big budget hole

An annual report into the size of the illegal tobacco problem found a significant shift in the black market with criminal gangs now smuggling three times the amount of counterfeit and contraband cigarettes into Australia than the previous year.

The report, compiled by Deloitte, also found that nearly \$1 billion in tobacco excise revenue was lost in 2011 with 2.264 million kilograms of tobacco imported illegally into the country by organised crime groups.

Overall the size of the illegal tobacco market is equal to 13.4% of the legal market which has dropped slightly lower than the previous report.

British American Tobacco Australia (BATA) spokesperson Scott McIntyre said the tobacco industry is concerned about the alarming growth in counterfeit and contraband cigarettes.

"Crime groups who import illegal cigarette packs don't pay tax to the Government and because of this they're normally around half the price of legal packs," Mr McIntyre said.

"The number one reason people bought illegal tobacco was the price, so when the Government pushes the price of legal tobacco up, more smokers move to the black market.

"If the Government stamped out the illegal black market completely it would gain a further billion dollars in revenue and it would stop a key funding source for organised crime.

"We've been working closely with Police, Customs, the ATO and other agencies to try and reduce the problem and they have been doing great work with some big seizures and busts occurring in 2011.

"The Government needs to continue its strong action in this area and we're supportive of some key initiatives proposed by Customs and ATO in this year involving legislative changes, reporting and strategy."

The change in the illegal tobacco market is consistent with evidence from the tobacco industry through covert purchases and also published data from Customs which reported significant increases in cigarettes seized.

This year BATA tripled the amount of covert purchases it makes each week to try and limit unscrupulous retailers selling its counterfeited brands and will prosecute each one they find.

The Deloitte report, *Illicit trade of tobacco in Australia*, was commissioned by British American Tobacco Australia, Philip Morris Limited and Imperial Tobacco Australia.

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