

## Retailers Against Smuggling Pre-Budget 2022 Submission

12<sup>th</sup> July 2021

[Retailers Against Smuggling \(RAS\)](#) represents over 3,000 small and medium sized retailers across the country. RAS aims to generate widespread awareness amongst the public, media and decisionmakers of the impact of smuggled alcohol, tobacco products and solid fuel on legitimate local retailers in Ireland. RAS is supported by corporate sponsors including: Retail Excellence Ireland, CSNA, NFRN, Applegreen, Barry Group, BWG Foods Limited, DHL, Itmac, Londis, Nightline, RGDATA, Stonehouse, and Circle K.

The Covid-19 pandemic has had a major impact on the Irish retail landscape, with small and medium sized business owners forced into making radical changes to how they operate to protect the health and wellbeing of their staff and customers. At the same time retailers continue to compete with an active black market in tobacco products which accounts for 15% of all cigarette packs in Ireland not to mention the 9% of cigarette packs smoked which are bought in from other jurisdictions.



Source: Revenue and the National Tobacco Control Office Tobacco Products Research Survey<sup>1</sup>

The persistent excise increases on tobacco products in annual Budgets continue to cause harm to the retail sector and, in the context of the operating environment for the sector in 2020-2021, **Budget 2022 should not increase excise on tobacco products**. Applying a further increase on excise in Budget 2022 will:

1. Incentivise Irish smokers to continue to source cigarettes from the black market or purchase overseas further damaging the Irish retail sector.
2. Result in a €240m per annum loss to the Exchequer in unpaid excise.
3. Encourage large-scale tobacco smuggling and ant smuggling as international travel reopens.

Against that backdrop and the requirement to create a sustainable, flourishing, and legitimate retail sector in Ireland as we emerge from the pandemic, the policy informing Budget 2022 should:

<sup>1</sup> [Revenue.ie: Illegal Tobacco Products Research Surveys 2019](https://www.revenue.ie/en/illegal-tobacco-products-research-surveys-2019)

## 1. Consider how excise increases will fuel the return of ‘ant smuggling’ as post pandemic international travel resumes

Ant smuggling is typically carried out by smugglers travelling on low-cost airlines to purchase cigarettes in countries where it can cost as little as €2 for a pack of 20 cigarettes<sup>2</sup>. Ant smugglers bring tobacco products back into Ireland for sale on the streets for less than half of the Irish retail price.

The return of increased international travel as restrictions ease will likely drive trade in the black market and illicit goods. Furthermore, any increase in excise duty in Budget 2022 will only push more of the public to take advantage of this increased trade.

An analysis of major seizures reported by Revenue in 2019 vs 2020 (see Annex 1) shows that seizures at Ireland’s airports more than doubled while travel restrictions were in place. This suggests that the level of smuggled goods passing through airports undetected, including via the practice of ‘ant-smuggling’ is much higher during busier travel periods.

This is a trend we have seen continue throughout 2021 with the seizure of 100,000 cigarettes at Dublin Airport in June 2021<sup>3</sup> the latest of eight major seizures at Irish airports so far this year.

## 2. Introduce attachment orders to support the Fines Act 2010 and strengthen the deterrents for those caught in possession of smuggled goods with the intention to sell

Only 55 cases of illicit tobacco trade resulted in prosecution throughout 2020 which is in direct contrast to the high volumes of illicit cigarettes and tobacco seized by Revenue over the same period valued at over €37m. The lack of prosecutions versus the volume of illicit cigarettes, indicates that the deterrents for the sophisticated criminal gangs and small-time criminals fuelling the black market are ineffective, with potential profits outweighing any penalties that might be imposed.

A breakdown of Revenue’s 2020 quarterly list of tax defaulters<sup>4</sup> (see Annex 2), shows that last year’s cases resulted in 36 court fines between €2,500 and €7,000 yielding €96,000 in total, 440 hours of community service, and 14 suspended sentences of imprisonment.

Deterrents can be made more robust with the introduction of attachment orders, under *Part 3 – Payment and Recovery of Fines under the Fines Act 2010*<sup>5</sup>, on income to ensure payment of a fine imposed by the courts. These attachment orders could be issued by An Garda Síochána. This is a particularly important and simple measure to put in place to deter and disincentivise small time criminals from engaging with the black market.

In summary, an increase on tobacco excise products in Budget 2022 will damage an already weakened retail sector and will provide increased opportunity for large-scale smuggling and ant smuggling of tobacco products. Budget 2022, in the context of excise goods, should focus on rendering existing enforcement regulations more robust by introducing attachment orders to violations, thereby providing the means to the State to recoup losses to the Exchequer driven by smuggling. Recent large-scale cigarette and tobacco seizures in the summer of 2021 points to criminals getting ready to compete aggressively with legal retailers in Ireland. Let’s not give them that opportunity.

Yours sincerely,

*Benny Gilsean*

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National Spokesperson,  
**Retailers Against Smuggling**

<sup>2</sup> [Numbeo.com - Europe: Price Rankings by Country of Cigarettes 20 Pack](https://www.numbeo.com/price-rankings-by-country/cigarettes-20-pack)

<sup>3</sup> [The Irish Times: Almost 100,000 smuggled cigarettes seized at Dublin Airport – 24.06.21](https://www.irishtimes.com/news/crime/almost-100000-smuggled-cigarettes-seized-at-dublin-airport-24-06-21)

<sup>4</sup> [Revenue.ie: List of defaulters 2020](https://www.revenue.ie/en/defaulters/2020)

<sup>5</sup> [Fines Act 2010](https://www.revenue.ie/en/fines-act-2010)

## Annex I

<b>Annex 1: Cross comparison of major seizures reported by Revenue at Irish airports: 2019 vs 2020</b>					
<b>Year</b>	<b>No. of seizures</b>	<b>Cigarette Qty.</b>	<b>Roll Your Own (RYO) tobacco</b>	<b>Value</b>	<b>Potential loss to the exchequer</b>
<b>2019</b>	6	390,200	23kg	€240,531	€193,538
<b>2020</b>	14	236,700	209kg	€274,700	€223,385

## Annex II

<b>Annex 2: 2020 cases of tobacco smuggling, illegal selling of tobacco, possession of untaxed tobacco for sale, and processing illegal tobacco products</b>					
<b>Charge</b>	<b>No. of charges</b>	<b>Individuals charged</b>	<b>Sentences imposed</b>	<b>Financial penalties</b>	<b>Penalty Amount(s)</b>
<b><i>Tobacco smuggling</i></b>	7	7	3 <i>(12-month sentences suspended for 12 months x 3)</i>	4	€10,000 <i>(€2,500 per fine)</i>
<b><i>Illegal selling of tobacco</i></b>	27	24	1 <i>(One sentence of three years fully suspended)</i>	23	€62,500 <i>(Fines ranged between €2,500 - €7,000)</i>
<b><i>Possession of untaxed tobacco for sale</i></b>	14	14	6 <i>(200 hours community service; 240 hours community service; Two sentences of two months imprisonment suspended for 12 months; six months imprisonment suspended for one year; six months imprisonment suspended for 14 months)</i>	9	€23,500 <i>(Fines ranged from €2,500 - €3,500)</i>
<b><i>Processing illicit tobacco products</i></b>	7	7	7 <i>(All seven sentences of ten months were fully suspended)</i>	0	€0.00
<b>TOTAL</b>	<b>55</b>	<b>52</b>	<b>17</b>	<b>36</b>	<b>€96,000</b>